South-South Co-operation
as a response to the North-South Stalemate

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Dedicated to the South
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INTRODUCTION

The post war economic relationship between Southern countries - almost all primary producers - and their rich Northern partners - almost all industrialized - has been one of the most formidable obstacles to balanced global growth and world political stability. The disparities in the standards of living, know-how, productive capacity and bargaining power between the two groups have not only been responsible for their political rift; they have constituted some of the most forceful impediments to an orderly utilization of world resources for the benefit of present as well as future generations.¹ The North-South imbroglio is thus a fundamental structural characteristic of the contemporary international system, as well as, from the long-term point of view, the most important cause of its instability. In other words, the long-run stability of the international system is contingent on the creation of a new framework of international economic relations which would be free of this basic contradiction.

Attempts at creating this new international economic structure have achieved only limited results and indeed North-South relations are now at their lowest ebb since a decade of conference diplomacy led to the adoption of the International Development Strategy, the New International Economic Order and the Charter of Rights and Duties of States. The developing countries have been deeply disappointed with
the outcome of negotiations since 1974. At the same time, many of their present leaders realise that the expectations with which they began were unrealistically high. Many of the Northern negotiators and in particular their governments lack the requisite political will for restructuring the system. For years North-South negotiators have been chipping away on a number of fronts - commodities/Common Fund, Multilateral Trade Negotiations (MTNs), debt, codes of conduct, IDA replenishment, IMF conditionality - but the results have not departed markedly from the status quo.

The unwillingness of the North to make any dramatic concessions seems to suggest that Northern countries refuse to recognize the new forces on the international scene and the potential of a consolidated South to wrench concessions from the North. Those in the North calling for a halt to further concessions, and unwilling to conceive of a world different from the one they have always known, are oblivious to the fact that the economic fortunes of the North and South are interconnected. In particular, there is inadequate appreciation of the contribution that the injection of a new dynamism to the developing economies through a restructuring of international economic relations would make to the restoration of economic growth and resilience in the developed world. It has been argued that there is a close linkage between the current economic difficulties of the industrialized countries and the underlying structural disequilibrium in the existing international division of labour.
and in the international trading and financial system. Recent experience shows that an expansion of the import capacity of the developing countries dampens cyclical fluctuations in the developed world by propping up demand at times of slack. Again an expansion of lending to developing countries adds to the market for goods and services of developed countries. Increasingly, therefore, developed countries stand to suffer when productive capacities in developing countries are underutilized, just as developing countries stand to suffer from instability and sluggishness in the developed economies.

For the South, the stalemate raises the question of how to effect the much needed structural transformation of the international economic system. It is obvious that the existing order presents formidable obstacles to sustained, balanced and consequential development in the South. This thesis will examine the way out of this stalemate and propose that South-South co-operation underpinned by internal transformations in the Third World constitutes the pathway for a radical departure from the temporising that has marked North-South transactions in the past. Simply put, the thesis will address the proposition that South-South co-operation or the strategy of positive consolidation actuated by internal transformation would contribute to the quest for the restructuring of international economic relations. The emphasis in this thesis is intended to be analytical and future-oriented or a general tour d'horizon rather than historical or descriptive.
The need for economic co-operation among developing countries has been recognized in recent years and even accepted as a basic component of the efforts towards the establishment of the New International Economic Order. The old theory, advanced by the economists of the North, that the developing countries were mutually competitive on account of their being producers of primary commodities generally, and that, therefore, there was very little scope for economic co-operation among them, is no longer accepted by the developing countries themselves. It has been recognized as one of the many rationalizations of Western dominance. Admittedly there are divergent levels of development and economic needs of the developing countries, but these are secondary compared to the currently shared goals for structural reform of the international economic system and currently shared normative goals concerned with equity issues. This author is of the view that the diversity in strategies and stages of development is not necessarily a disadvantage to the path proposed herein, in that it allows the Southern countries to fully exploit their latent complementarities and diverse developmental experiences. The uneven distribution of natural resources among developing countries, the technological capability and know-how available in some of them, the possibility of building up common infrastructural facilities and communication links, and the common problem of resisting the economic domination and exploitation by the developed countries, have led to
the realization that there is considerable scope for consolidation among the developing countries through mutual economic co-operation.

South-South co-operation, then, becomes imperative in the face of the North-South stalemate and the global economic difficulties which have unleashed in their wake disastrous consequences for the developing countries. By projecting South-South co-operation in this thesis as a necessary instrument for ensuring equity in international economic relations, it will be argued that it increases the individual and collective bargaining strength of the developing countries and, especially where it allows joint action, creates the countervailing power that is needed to negotiate the desired changes in the international system. In this respect South-South co-operation would mean strengthening the joint-action capacity of the Third World.

Procedure

Having delineated the concerns of this thesis it will be useful to show the issues to be dealt with in the accompanying chapters. The thesis is divided into five broad, but clearly marked out chapters.

Chapter two will put the search for a New International Economic Order into perspective by sketching the tortuous road to the present stalemate. Essentially my aim in this chapter will be to highlight the demands and shared perspectives of the South and contrast them with Northern goals, perspectives and means relevant to the North-South
relations. By focussing on the shared perspectives and demands of developing countries my intention is not to tone down the real economic differences among developing countries, but instead suggest that there remains a degree of shared interest in systemic restructuring.

The third chapter will examine the competing explanations of the North-South divide, in particular neo-Marxist and non-Marxist perspectives on the issue. The neo-Marxist and non-Marxist explanations of the North-South divide represent two significant strands of thought in development literature. The latter focusses on factors internal to these countries which inhibit growth and development, while the second holdsthat the integration of Southern countries into the international capitalist system is the main cause of underdevelopment. The question that follows from such a discussion is the extent to which the developing countries are prime movers of their destiny. If economically Third World countries are dependencies, and subsidiaries of development in the industrialized North, as some have suggested, can South-South co-operation "complete the liberation of the Third World from external domination"? This chapter will also briefly analyze the controversial Gandhi-Mao model for the economic emancipation of the South, and suggest that in a sense it is the harbinger of progress, however limited, in the field of South-South co-operation.

Chapter four will deal with two important issues. In the first place the deteriorating economic conditions in the South will be brought into sharp focus. Obviously one cannot
urge economic co-operation among developing countries without noting the crisis of the international economic relations and the widening gap between North and South. For example, it has been noted\(^6\) that for the first time since the Second World War, there has been a decline in the per capita GDP of many developing countries; the great seesaw of commodity prices has further sapped the producers' planning capacity and indeed commodity prices in real terms are the lowest in the last 50 years; access to developed countries' markets for their manufactured products are increasingly curtailed; again the earnings of developing countries have shown ominous decline while interest rates on foreign loans have dramatically increased. A corollary issue to be considered in chapter four is the differentiation in the South which has temporarily hampered the implementation of South-South co-operation both at the regional and global levels. While acknowledging the existence of practical problems arising from the heterogeneity in the South, it should be emphasized that these have often been exaggerated. These problems, in my view, will not detract from the need to mobilize their underutilized resources and exploit the complementarities inherent in their differing capacities and development situations. Even with differentiation in the South, there does exist a sufficiently solid basis for fruitful co-operation both as regards relations with the outside world and as regards direct, positive consolidation. On the basis of this analysis we might be in a position to infer from these problems the importance of the co-operation venture in the Third World.
South-South co-operation will be projected in chapter five as an important instrument for the restructuring of international economic relations. It must be remembered that the fundamental purpose of the quest for a new international economic order is to restructure the prevailing market rules, largely fashioned by the financial power of the Northern countries; to obtain a greater voice in international economic decision-making and in the management of the international financial institutions; and to break the age-old patterns of economic and political dependency of the poor nations on the "good will" of the Northern countries. The main objective, however politely or skillfully stated is restructuring of power, whether political, economic, financial or intellectual. It must again be noted that the existing distribution of power has never changed throughout history except through the organisation of countervailing power. South-South co-operation is critical for strengthening the countervailing power of the South for negotiating the principal tenets of this new economic order. In this regard a number of issue areas such as trade, technology, finance and energy will be considered. Finally, chapter six will be concerned with the pertinence, plausibility and execution of the components of the comprehensive scheme for economic co-operation among developing countries.
Scope

This thesis will cover the South as a whole. In this study the terms "South", "Third World" and "developing countries" will be used interchangeably. Within the South we can identify four discernible groups, using economic performance as the criterion of classification. It must be pointed out that this classification of countries within the South is relative because none of the groups is homogeneous in social, political or economic terms.

The first group within the South are the member countries of the Organization of Petroleum Exporting Countries (OPEC). The OPEC group also exhibits wide differentiation and includes highly disparate countries ranging from Indonesia with a per capita GNP of $360 to Kuwait with a per capita GNP of $14,890. The economic and political behaviour of the OPEC members has been a crucial variable in the Southern co-operation scenario. In Northern decision-making centres there is a perception that the South has only one arrow in its quiver, and that arrow belongs to OPEC.

The second group is the so-called "newly industrializing" (NICs) developing countries and includes small states and territories with developed industries and rapidly growing exports of manufactures, like Taiwan, Singapore, South Korea and Hong Kong. Others are countries like Morocco and Malaysia exporting strategic or scarce raw materials such as
tin, bauxite, and uranium. Finally we have countries close to the middle level of capitalist development like Brazil, Mexico and Argentina.

Making up the third group are the middle-income countries with per capita GNPs of $300 or more. These countries are mainly dependent on income from exports of minerals and agricultural commodities. Most of these countries such as Ghana, Zambia and Senegal have been hit by rising import costs and dramatic fluctuations in demand and prices for their commodity exports. The ability of these countries to implement expansionary economic programmes has been crippled by inflation, balance of payment deficits, and debt accumulation.

The last group made up of low income countries have been particularly hit by the lack of progress on the North-South issue. Again because of the worsening financial and economic conditions, most of them have had either to fold up or defer their national development programmes. In these countries per capita incomes remain below $300 and account for only 3 per cent of the global product and less than 5 per cent of Third World exports. Examples of countries in this group include Bangladesh, Burkina Fasso Mali and Nepal. It is further estimated that while the countries in group two increased their per capita income by about $400 during the 1970's, the poorest countries recorded an increase of only $40, or about $4 per year.
It is in the context of the diversities within the South that the bidimensional character of South-South co-operation assumes importance. Successful co-operation must be preceded or reinforced by internal transformations in the Third World. This will not only create conditions conducive to meaningful development, but also enable developing countries to break the tentacles of dependency. As Fawzy Mansour points out, internal re-ordering will allow the given developing country to make use of the opportunities presented by the world economy in harmony with the purposes of its own development, rather than being used by that economy for the greater enrichment of rich metropolitan countries. This thesis, while stressing the importance of South-South co-operation, will also stress the concomitant requirement that there is a reciprocal relation between internal transformation and fruitful economic co-operation.
NOTES AND SOURCES

1. Half of the world's 3.9 billion inhabitants have less than $200 annual per capita incomes; 900 million subsist on incomes of less than $75 a year.


3. The strategy of positive consolidation was conceived by Chairman Mao Tse-Tung within the context of the struggle of the oppressed and the exploited against the oppressors and exploiters in history. To him the Third World must combine the strategy of positive consolidation with that of negative nonco-operation in their struggle with the North.


5. This quotation is taken from the address of President Julius Nyerere to the Fourth Ministerial Meeting of the Group of 77 (See Appendix 1).

6. See the Economic section of the Resolution of the Seventh Conference of Heads of State or Government of the Non-Aligned Countries, New Delhi, March 7-12, 1983.


The economic configuration of power that evolved after the Second World War was heavily skewed in favour of the industrialized countries of the North and characterised by inequality, domination, dependence and segmentation. The economic order - that is the set of institutions, formal rules and informal conventions that govern economic transactions among nations - was established without regard to the special developmental problems and interests of the developing countries. In the main, effective participation in the system has been limited to a small group of predominantly Northern states under the tutelage of the U.S. Other states within the South that have received their independence since the Second World War have had to participate on what has amounted to a pro-forma basis. The developing countries had an inadequate share of decision-making and the system operated asymmetrically to their detriment. Unlike the Northern countries with the capability to pursue negotiations from a position of strength, the fragmented Third World has virtually no economic power base and no stake in the old economic order. The Northern countries had and still have the power to influence the nature and terms of the relationship between them and the Third World. This imbalance has been perpetuated or rather exacerbated by the persistence of, on the one hand, continuing strong vertical links between North and South and, on the other hand, of weak horizontal
links between Southern countries. Closely related to the problem of imbalance in bargaining strength is the problem of imbalance in the distribution of benefits of interchange. This, too, is the product of the pattern of uneven international division of labour that reduced developing countries to the status of economic dependencies with lop-sided economies lacking in domestic sources of dynamism.

It will be useful at the outset to trace the premises on which the old order was based and reasons for Southern dissatisfaction with the defacto post-war economic order and the consequent call for a new international economic order. The post-war monetary system governed by the Bretton Woods agreement of 1945 rested on two pillars: the maintenance of stable exchange rates and a multi-lateral credit mechanism institutionalised in the International Monetary Fund (IMF) and supervised by it. It provided for fixed currency values expressed in terms of dollars and gold. Reflecting its internal contradictions⁴, the system broke down in 1971, after the dollar had been declared no longer convertible into gold, and was subsequently replaced by a system of floating exchange rates. The developing countries are particularly susceptible to the export of inflation since most of them have their currencies pegged to a reserve currency (that is, a currency of one of the major Northern countries).

The monetary system which pivoted around the IMF² was established with the priority of assisting in the ironing
out of global balance-of-payments surpluses and deficits. It was expected to bring pressure on both deficit and surplus countries to take the necessary bitter medicine and quickly to nurse the balance of payments back to an equilibrium. Experience has shown that the Fund has not been able to exert pressure on the Northern countries, however it has consistently forced developing countries to swallow the bitter pill. Among other difficulties they, as deficit and disadvantaged countries within the system, had to face the main burden of adjustment while developed countries with economic and political influence escaped international surveillance and were not subject to any discipline. Again the Fund's *modus operandi* envisages that members can - as of right - only borrow from the IMF an amount that is in direct ratio to their subscription (quota) to it and their voting power, too, is related to this subscription. This skewed voting power strongly in the direction of the developed countries, especially the U.S. If member countries wish to borrow more than they are entitled to, they have to submit themselves to conditions set by the IMF. Southern countries together have about 36 per cent of the vote which is insignificant since decisions affecting most of the IMF's rules require three-fourths of the members and 85 per cent of the voting power. This contrasts with the fact that the U.S. alone with over 15 per cent of the vote can block any major proposal for
change and perhaps vindicates the dictum that wealth begets power and power begets wealth.

In the field of international trade arrangements under the old order the General Agreement on Tariffs and Trade (GATT) was organised to stimulate the free flow of goods through negotiated reductions of tariffs and other trade barriers. GATT provided a framework for reducing tariffs on the principle of non-discrimination. The objectives of the GATT as set out in the Preamble are that international trade relations should be conducted with a view to:-

'ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods.'

In order to achieve these objectives, the signatories propose to enter into:-

'reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariff and other barriers to trade and to the elimination of discriminatory treatment in international commerce.'

The GATT sponsors negotiations in which member states bargain and reach agreements about mutually reducing tariffs and these are then extended to all GATT member states. The GATT system, based on the twin principles of "reciprocity"
and the "most-favoured-nation" clause, was intended to govern trade relations among equals. It has not been sufficiently modified to reflect the differences in economic structures between developed and Southern countries, and for that reason has not proved adequately responsive to the needs of the developing countries, except for a number of ad hoc measures such as the Generalized System of Preferences (GSP), which has in any event been implemented on a voluntary rather than obligatory basis. Again in retrospect it can be pointed out that the machinery of the GATT has not been able to prevent the economically powerful Northern countries from giving priority to their 'overriding national interests' (as seen by themselves) over the observance of the letter and the spirit of their contractual obligations under GATT. The rules of GATT, concerned as they are with the eradication or limitations on the use of measures that interfere with or distort international markets, are no longer adequate, not least because governments feel compelled to intervene in international markets for many purposes, and because of the inequality of the bargaining power possessed by developed and developing countries in the trade field. For the most part, the Southern countries have been too weak to obtain redress through the GATT machinery. In an institution which is primarily motivated by a reciprocal bargaining process, they have no real bargaining power. Their domestic markets, which are their bargaining counters, are too poor for them
to attract concessions whether by offers or by threats of retaliation. It must be realized that bargaining power in GATT closely accords with shares of international trade and it is quite obvious that Northern countries have the greatest influence in GATT since they play the largest role in world trade. The extension to Southern countries of non-reciprocity in trade negotiations does not improve their bargaining power in any real sense for, while it allows Southern countries to withhold their tariff from negotiations, it still leaves them dependent on the willingness of the developed countries to make unreciprocated concessions. Added to this it has been pointed out\(^6\) that a large part of world trade falls outside the scope of GATT rules. At the moment there are no adequate mechanisms for dealing with the ever-expanding volume of transactions within and between transnational firms or the new protectionist tendencies that take the form of "voluntary" export restraints and "orderly marketing arrangements". The inadequacies of GATT from the Southern perspective make it nothing but an exercise in the consolidation of Northern hegemony in the conduct, promotion and regulation of international trade.

Under the present economic order resource transfers from the North to the South are totally voluntary and dependent on the fluctuating political will of the North. The aid relationship is often a blatant relationship of dependency, not partnership as the Southern countries which receive assistance do not participate in the basic decisions governing such assistance and also do not have an adequate
share of responsibility for decision-making, control and management of the existing international financial and monetary institutions. In another sense aid in many cases reinforced the political sense of dependence by providing access to the North for economic decision-making in the South. Aid conditionality often provided the North with important tools for influencing economic policies in recipient countries. Again it is not unusual for aid to be used to support preferred internal and external policies of recipient governments; withdrawal or threatened withdrawal of aid has been used to express disapproval or opposition to internal policies. Of the funds transferred by the North as Official Development Assistance (ODA) the greatest part (75 per cent) was transferred on a government-to-government bilateral basis, thus the choice of the recipients and of the purposes for which the funds could be utilized was subject to the discretion of the donor governments. Less than 30 per cent of ODA funds were channeled through international institutions, and the Northern countries exercised preponderant influence in the institutions that received the bulk of these funds. Furthermore it is estimated that more than 80 per cent of the funds that the Northern countries channeled through international institutions went to the World Bank and regional development banks where there were weighted voting systems.

A significant development or by-product of the old economic order has been the institutionalization of Northern
dominance through the formation of bodies such as the Organization for Economic Co-operation and Development (OECD), ostensibly designed to strengthen their negotiating position vis-a-vis the South and the harmonisation of their macroeconomic policies. This does not preclude different viewpoints on specific Southern proposals. It is noteworthy that Northern countries have sometimes used minor disagreements between them as an excuse to stonewall in North-South discussions. In spite of minor disagreements over policy prescriptions, Northern countries have used these bodies to strengthen their negotiating clout and above all maintain the minimum necessary degree of cohesion to contain Southern advances. Within the framework of what one might call such "consolidation-fora", the Northern countries have consistently adopted the position that the present international institutional structures and processes are as equitable as the realities of international politics allow. From the Northern perspective incremental adjustments constitute the preferred means to strengthen the evolving post-Bretton Woods international institutional order and the economic and political relationships governed by that order.

In contradistinction to Northern cohesion the South consists of a disparate group of countries that has emerged as part and parcel of the present world order. As we have noted the Third World countries have been relegated to the periphery under the present order and still are victims of tremendous economic exploitation. Ismail Sabri-Abdallah
has rightly pointed out that a single process (that is, the expansion of capitalism) provides the necessary and sufficient explanation of today's polarization between the North and South (see chapter 3). The trauma of foreign domination conditioned by the underlying inequality in international economic relations is the tie that binds the disparate and potentially discordant membership of the Southern countries. There is no doubt that there is a shared perception in the South on overall structural questions like changed terms of trade, protection of purchasing power, access to markets, monetary reform, increased automaticity of resource transfers and regulation of multinational firms. The deeply shared Southern perception of the inequity of the present international system and its illegitimate origins has found expression in the constant Southern emphasis on the structural adjustment theme in North-South negotiations.

The demands of the developing countries will be examined shortly, but it must be pointed out that the structural adjustment theme encompasses two important elements which though mutually exclusive are inextricably linked. The first element is institutional and derives from the Southern goal to increase its influence or bargaining power in the shaping of international economic and political evolution by broadening the jurisdiction of existing international organizations and creating new international organizations which will increase the South's influence in specific arenas of international activity. The essence of this new deal
lies in their obtaining greater equality of opportunity and in securing the right to sit as equals around the bargaining tables of the world. Secondly the theme envisages reforms designed to change the operation of the international economic system, as in proposals for an Integrated Programme for Commodities to raise and stabilize commodity prices; for international monetary reforms which would automatically provide Southern countries with expanding international financial reserves; for a new international set of rules on debt rescheduling; for Northern commitment to lower barriers to Southern exports; and for a code of conduct on the transfer of technology to the South. As will be suggested later the basic chasm in bargaining power between North and South coupled with clashing perspectives on a desired international economic system provide an overriding explanation for the current stalemate in the so called 'dialogue'.

We have to ask a few pertinent questions at this juncture as we make our way through the tortuous road to the present stalemate. What is entailed in the Southern call for new "rules of the game", or better put, what are the rule changes demanded by the South in specific issue-areas? Again what are some of the possible explanations that can be adduced for the profound comedy of errors in the Southern approach to the stalemated dialogue? It must be stressed again that declared goals of the South for "the establishment of a new international economic order based
on equity, sovereign equality, interdependence, common interest and co-operation among all states..." require more than mere conference diplomacy. Developing countries are now coming to the realization that their words and arguments can only translate into concrete action when backed by a degree of bargaining power. The demands of the South have hitherto been presented as outright requests for reparations and often received nominal recognition from the North. Needless to say, the change of a relationship from dependence to interdependence and from inequality to equity cannot take place when Southern countries cannot count on any power base for serious negotiations with the North.

The position adopted in this thesis is that the demands of the South have to be expressed within the framework of the economic co-operation measures outlined in chapter five. In other words meaningful negotiations can take place against the backdrop of a consolidated Southern group. A clear pointer to this fact is the ability of a unified OPEC to increase the threat to and achieve significant rewards from the North. If anything, this demonstrates the potential effectiveness of Southern unity under certain conditions in bargaining with the North. Again if we accept the fact that change in the present economic order is largely a function of power relationships then it seems understandable that Southern demands can gain credibility only when they muster countervailing power through South-South co-operation.
An important element of the Southern call for a new international economic order hinges on the question of trade. Among other things, Southern countries have clamoured for the Northern countries to grant them access to markets by removing all tariff and non-tariff barriers on a non-reciprocal basis; for improvement in the preference schemes implemented by the North; and for effective adjustment assistance in the North to ease the cost of greater imports from the South. Added to this they have asked that the GSP be expanded and incorporated permanently into the world trading system to enable them to compete with industrial-country production in the markets of the North. In the area of trade, by far the overriding concern of the South is the insistence that Northern countries put an end to two pervasive influences in international trade inimical to their development. The first relates to the short-term instability of markets for primary products, reflected in wide year-to-year fluctuations in prices and export earnings. Commodity price instability has long been of special concern to developing countries because of their dependence on revenues from commodity sales. For more than half of the non-OPEC developing countries, two or three agricultural and non-oil mineral products account for over 50 per cent of total exports. This means that their total foreign exchange earnings are very vulnerable to market fluctuations in specific products. Fluctuations in the international prices of commodities have imposed particularly high degrees of economic instability in the
South and further exposed their weakness in the world economy. Fiscal revenue and government spending are disrupted by these short-run unpredictable fluctuations, for the majority of Southern governments rely heavily on tariffs and other taxes on traded commodities mainly on account of administrative convenience and political expediency. Added to this the perennial foreign exchange gap inevitably means shortages of imported capital goods and the curtailment of development programmes and investment planning.

An important factor contributing to the vulnerability of developing countries in commodity markets is the lack of market power, including the ability and propensity to influence the market to their advantage. The decisive factors underlying market power are financial strength, technology, information capacity and organizational strength and cohesion. Being financially weak and fragmented, Southern country producers have limited market staying power and are often forced to sell on falling markets the surpluses which inevitably arise from time to time. The second area of concern to developing countries is the adverse long-term trend in commodity markets, reflected in a tendency for primary product prices to decline relative to prices of manufactured goods resulting in deteriorating terms of trade and sluggish growth in the developing countries. What is happening is that trade has become a process of unequal exchange, as control of the international market by Northern countries leads to a declining price for the raw materials produced by the South and a rising price for industrial
products produced by the North. The terms of trade of the international market under the present order appear to be structured or rather rigged against the South.

The Southern answer to the commodity problem has been reflected in the demand for an Integrated Programme for Commodities (IPC). The essence of the IPC is that it aims at dealing with the problem of commodities in a comprehensive and systematic way. This is a reflection of the need to secure adequate balance in the treatment of different commodities, thereby safeguarding the position of developing countries. The main elements of the IPC are as follows:

"(i) The establishment of internationally-owned stocks covering a wide range of commodities;

(ii) the establishment of a common financing fund that will make resources available for the acquisition of stocks;

(iii) the institution, in circumstances which justify it, of a system of medium- to long-term commitments to purchase and sell commodities at agreed prices;

(iv) the institution of more adequate measures than are at present available to provide compensatory financing to producers to cover shortfalls in export earnings;

(v) the initiation of an extensive programme of measures to further the processing of commodities by the producing countries themselves."12
The IPC has incorporated two price objectives. In practical terms, probably the most important is price stabilization - the attempt to diminish the fluctuations that characterize trade in many commodities. The second objective which Robert Rothstein\textsuperscript{13} describes as "an important sub rosa issue in commodity debates" is that of price increases. Price increases in the Southern perspective involve the idea of indexing all commodity and raw material prices to the price of manufactured goods. It has been noted\textsuperscript{14} that direct or indirect indexation of primary commodity prices could be an effective means of protecting developing countries from a deterioration in their commodity terms of trade caused by the spread of inflation among the developed market economy countries, a matter over which the developing countries have no control. Central to the IPC concept is the Common Fund\textsuperscript{15} with an estimated total requirement of about $6 billion for maintaining commodity prices through purchases and sales in the international market. The primary function of the Common Fund would be to lend to individual commodity organizations operating international stocks, under appropriate conditions. It is these organizations which would trade in individual commodities by buying and selling, and which would own and dispose of the international stocks. A few producers in an individual commodity agreement have very little leverage against powerful consumers, especially when the latter tend to control processing, distribution, and marketing.
By gaining an important share of the responsibilities for operating the Common Fund, however, the Southern countries would not only be guaranteed a substantial new source of financing but would be able to group together all of the producers in an effort to establish new principles and procedures. We can sum up by stating that the avowed purpose of the IPC is to provide "global resource management in the interests of the development process." The new order envisioned by the South might begin with efforts to stabilise prices, but it also requires efforts to restructure the economies of the South (diversification, increased domestic processing, a greater role in marketing and distribution); to improve market access to the Northern countries; and to create a mechanism of guidance and control for this process that reflects and incorporates the new bargaining power of the developing countries to be gained through South-South co-operation.

From their position of "bargaining superiority," buttressed by all the ingredients of market power, it is to be expected that Northern countries would not take kindly to the fundamental changes sought by the South. The majority of developed countries are unalterably opposed to the indexation of prices and also wary about the possibility of the Fund being a disguised resource mechanism and a tool for extracting funds from them. Indexation is opposed on the grounds that it would be inflationary, that it will encourage the search for substitutes for indexed commodities, that it will be inequitable to many developing countries
(the resource-rich benefitting at the expense of the resource-poor), and that it might freeze the market. Again there are fears within the North that the Common Fund would somehow be used to encourage the creation of commodity agreements for commodities of little interest to developed countries. The strategy of the North in North-South discussions has been to palliate Southern demands on the commodity question by offering proposals which aim at a tinkering with the status-quo." The commodity question demonstrates, as Joan Spero has rightly noted, that Northern policy is geared to the maintenance of the system of dependence, whereas Southern strategy aims at changing it.

In the international monetary system we can delineate a number of concerns of the South based on a plethora of UN resolutions such as the Programme of Action on the Establishment of the New International Economic Order, the Declaration on the Establishment of the New International Economic Order, and the Charter of Economic Rights and Duties of states. Southern countries have focussed on a number of objectives such as the following:

"full and effective participation of developing countries in the international decision-making process in financial and monetary affairs; rising volume and improved terms and better distribution of concessional development finance and of development finance generally, including improved access to capital markets;
predictability, continuity and certainty of concessional finance; alleviation of the debt burden of developing countries; the elimination of instability in the international monetary system, the maintenance of the real value of currency reserves of developing countries and the creation and distribution of liquidity consistent with global development requirements and finally improvements in compensatory financing to meet fluctuations in export earnings, in the financing of buffer stocks and in the operation of the IMF.  

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It is outside the scope of this thesis to unravel all the tangled skein of these objectives. However, we will touch on a few salient demands of the developing countries and the reactions of the North. At various North-South meetings developing countries have pressed strongly for a moratorium on payments on external debts or at least on external debt to official agencies in the North (see chapter 4(i) for a discussion of the debt situation in developing countries.) As a matter of paramount importance, the Southern countries have called for the development of a "comprehensive, equitable, multilateral framework for the restructuring of the debt burden of developing countries in order to provide an orderly international response to the possible emergence
of serious debt crises.¹⁹ In this regard the developing countries made a concerted call at the seventh special session of the UN General Assembly for a conference of major donor, creditor countries to devise ways and means to mitigate the debt burden. Rather surprisingly the debt issue has until recently received scant attention from policy-makers in the North. Even then the increased "concern" has not translated itself into any fundamental change in the Northern perspective on the question of a moratorium on Southern external debts. The Northern position is based on the notion that the "distribution both of the effort and of the relief would be highly capricious and unrelated both to capacity for financial support in the creditor countries and to financial need in the debtor countries."²⁰ In general terms the Northern position is actuated by the fear that those countries that had already lent the most would, through a moratorium, be called upon to provide additional financial resources carte blanche. And conversely the debtor countries that had borrowed most freely would as it were "be given the greatest relief, regardless of need or of incentive to achieve satisfactory economic performance."²¹ Thus Northern countries are reluctant to accept proposals for generalized or automatic debt relief, but true to their divide-and-rule tactic have emphasized the importance of the traditional case-by-case approach. This position is based on the mistaken assumption that generalized debt relief would encourage foolish fiscal policies in the South.
Another financial issue of utmost concern to the South relates to the creation of international liquidity and the distribution of benefits that flow from it. As regards this demand, Southern countries have stressed the need for new reserve allocations (SDRs) to those countries which are most likely to experience balance of payments deficits and huge domestic costs of adjustment and to those which are least likely to be able to finance them from alternative sources. This should be distributed not on the basis of allocations proportional to the IMF quota system but rather on a formula that emphasises equity. The essence of such a scheme is to inject SDRs into the system by allocating them to the South. An important adjunct of this demand is the adoption of the link as a development goal of the South. In brief the link has been defined as an arrangement whereby newly created reserve assets are injected into the international economy according to a distribution formula designed to promote the flow of development finance. It has been pointed out\(^2\) that "the notion of direct distribution of purchasing power to all (IMF countries) without any conditions or expectations attached is very offensive to many Northern countries." The Northern contention is that the issuance of SDRs would add to global inflationary pressures in the same manner that a rapidly increasing money supply generates inflation in domestic economies.\(^3\) On the SDR link the opposition is based on the fear that developing countries
would use their influence within the IMF to ensure that SDRs are created even when they were not required for equilibrating demand and supply for international currencies. The inflationary effects of having too much global liquidity and the possible local inflationary pressures created by transferring purchasing power to developing countries through the SDR link were singled out as potential evils that could be avoided by resistance to Southern demands.

To express their disenchantment with the current aid concept and commitment the Southern countries have come out with a number of proposals which aim at establishing a new basis for international resource transfers and general improvement in the modality, composition and quality of aid. As a first step they have pressed for adherence to the 0.7 per cent of GNP target and a concerted effort to end the incongruous contrast between the target and the declining overall flows from leading aid donors (see chapter 4(i)). Developing countries have also emphasized that the transfer of resources should be placed on an increasingly assured, continuous and predictable basis. Additional proposals have been made entreat ing the North to improve the terms of aid by increasing the soft loan and grant element, to increase the duration of loans and the current overall average rate of ODA concessionality, and to prevent the North from using aid as a mechanism for instituting dependency. In order to achieve these objectives, the developing countries have sought to obtain participation in aid management. Apart from taking part in the deliberations
of aid consortia and consultative groups, developing countries want a greater say in the determination of how aid money is to be disbursed. For the North the target of 0.7 is a goal and not an obligation. While displaying an enigmatic reticence over Southern demands for participation in aid management, Northern policy-makers have gone out of their way to stress what they call "their right" to impose conditionality in aid programmes.

Under the broad theme of the assertion of sovereignty over natural resources, developing countries have sought to control foreign direct investment and also to set guidelines for the transfer of technology. The Southern resolve to exercise its permanent and full sovereignty is aimed particularly at preventing Northern countries and their transnationals from undermining them with economic blackmail, pressure and coercion. The power of transnational corporations pitted against developing countries is well documented. 24 Host countries of the South have sought to build up their bargaining power and infrastructure vis-à-vis these corporations and the mobilization of their capabilities for development. Southern countries have also drawn attention to the need for a legally binding code and conduct containing standards that would require transnational corporations inter alia to "respect national sovereignty, adhere to economic and social objectives, respect human rights and abstain from interference in internal political affairs and intergovernmental relations." 25 On the specific question of technology transfer Southern objectives include Northern
financing earmarked for the creation, expansion and modernization of Southern scientific and technological institutions. They have also called for Northern support in getting transnational corporations to adapt their technology to host-country development needs. At the Seventh Special Session the developing countries put forth proposals for changing the international patent system and for granting them preferential access to the science and technology of developed countries. The question arose as to the propriety of granting developing countries special rights of access to privately held information while excluding Northern countries.

The Northern response to the sovereignty theme in general has been to endorse the principle but express reservations about legally binding codes. The OECD countries have adopted a "voluntary" code of conduct to preempt the more stringent and less voluntary codes proposed by both the UN Centre on Transnational Corporations and UNCTAD. The technology transfer issue initially brought a vote of conciliation from Northern policy-makers, but as domestic and labour groups began to point out some of the problematic aspects of increasing technology transfers, Northern countries, in particular the U.S., backed off from their earlier conciliatory stance. This point perhaps vindicates the notion that "the external political behaviour of a state is largely a function of its domestic structures." It is noteworthy that during the dialogue Northern countries sometimes spurned Southern proposals largely out of
consideration of the possible backlash from domestic constituents. In an apt comment about the position of Northern countries toward access of their markets to developing countries, Jeffrey Hart\textsuperscript{27} rightly points out that opposition in the North has come from large social groups: the firms that could not compete with the new imports, the labour unions which represent workers in affected industries and groups which oppose trade with specific countries because of political reasons.

We will end this chapter with explanations of the current stalemate in the North-South discussions. As we have seen from the discussion of the demands of the South and the Northern reactions, the stalemate is a natural consequence of the clashing perspectives, objectives and strategies produced at such discussions. These differing perspectives are due in part to the imbalance in bargaining power arising from the post-war economic order. Arms control negotiators would confirm that agreements are difficult to reach when one side in a two-way negotiating scenario has overwhelming bargaining superiority. The current logjam and continuing Northern stonewalling on proposals presented by developing countries seems to be an inevitable follow-up from the imbalance in bargaining clout and asymmetry in economic power. Bargaining with limited power, the South depended absolutely on goodwill and enlightened interest of the North to effect any reforms.

It is noteworthy that Southern countries have on numerous
occasions attributed the stalemate to the subjective factor of "lack of political will" on the part of the developed countries.

An additional explanation for the stalemate is that the South engaged in the dialogue without adequate preparation. The strategy adopted to circumvent their weakness was the somewhat hastily organized South-South dialogues designed to streamline their negotiation position and shape a package of negotiations which would satisfy the different interests of various Southern constituencies. Without any countervailing power and a secretariat to articulate and coordinate its economic proposals, the discussions inexorably turned out to be a one-way fanfare of Northern intransigence. Amid the rough-and-tumble of the North-South discussions Southern negotiators appeared to have forgotten that a new economic order would not be given to them on a silver platter; that such an order would be effected mainly through its own internal transformation and in the organisation of countervailing power to correct existing market imperfections. On this point Fehmy Saddy, for example, is emphatic that "in the absence of equal bargaining strength on the part of the developing nations vis-a-vis the industrialized ones the protests of the former are futile." Furthermore as long as they were perceived to have little bargaining power as a group, the developing countries were forced to rely on economic analysis and humanitarian appeals to support, which we must point out only elicited inaction and rebuff from the North.
Finally, in spite of their weak bargaining position, some Southern leaders succumbed to deceit by embracing the concept of interdependence as the leitmotif of the stalemated dialogue. The strategy of the North during the dialogue bordered on an attempt at the cooptation of the South into accepting the worn-out slogan of "interdependence" as characterising the relations between North and South. In short, they tried throughout the discussions to sell the old relationship of dependency to the South under the "newly-dusted slogan of interdependence". To define interdependence as a relationship of mutual dependence between the North and South is simply to display political rhetoric in its extremity. At best it is a misreading of historical forces and a misunderstanding of the past relations of dependency. The dependency syndrome in the South will be dealt with in the next chapter, but we must stress here that the stalemate could be attributed in part to the Northern attempt to erase the stigma of dependency by introducing the concept of interdependence to cloud the old economic relationship.
NOTES AND SOURCES


2. See *South*, no. 2, November 1980 for an exposition on the operations of the IMF.

3. See Keesings - 13388.


5. The Generalized System of Preferences accords Southern countries preferential tariff rates.


10. UN General Assembly, Sixth Special Session, Supplement No. I (Resolution No. 3201 (S-VI) UN N.Y. 1974).


15. Following the successful conclusion on the Agreement establishing the Common Fund in 1980, progress in its ratification had been slow and related negotiations under the UNCTAD IPC had not made any significant headway.


19. Demand of the South as stated in Resolution of Seventh
Conference of Heads of States and Government of
Non-Aligned Countries.

Foreign Policy, Spring 1977, p. 102.

21. Ibid., p. 102.

22. Ibid., p. 105.


26. J. Bandyopadhyaya, North Over South (New Delhi: South


28. Fehmy Saddy, "A New World Order: The Limits of Accommodation",
International Journal, p. 34.

29. Khadija Haq (ed.), Dialogue for a New Order (New York:
The highly unequal distribution of economic and political power between North and South has been a recurring theme in development literature for over two decades now. Several authors have adduced explanations for this North-South divide which is manifested not only in the dominant power of Northern nations to control the pattern of international trade, but also in their ability often to dictate the terms in which technology, foreign aid and private capital are transferred to Southern countries. The first body of explanations from the neo-Marxist school views underdevelopment of the South in terms of "international and domestic power relationships, institutional and structural economic rigidities and the resulting proliferation of dual economies and dual societies both within and among the nations of the world". On the other hand the non-Marxist theorists focus almost exclusively on processes internal to national societies.

The explanations from the non-Marxist school focus in varying degrees on internal processes inhibiting the development of Third World countries and see underdevelopment as a condition which all nations have experienced at some time. Here the identification of the gap between the characteristics of development and underdevelopment includes the specification of intermediate stages and their characteristics. Among other things underdevelopment is
seen as an aggregate of certain criteria and limiting social factors\(^2\) such as responsiveness, propensities, customs and institutions of society. In general non-Marxist theorists stress that with the right quantity and mixture of savings, investment and foreign aid, Southern countries would proceed along an economic growth path which historically had been followed by the North. The notion that foreign investment and credit constitute a form of domination is seen\(^3\) as paranoid and reactive and as a remnant of the unfortunate colonial past. It is the contention of these theorists that the flow of capital from advanced to less developed countries is understood to be a main engine of economic growth. According to this argument a country which is penetrated by direct foreign investment should develop more than a country that is not so penetrated. Similarly, foreign aid which brings technical assistance and advice regarding fiscal and development policies should also facilitate economic growth.

A very prolific and influential advocate in this school is W.W. Rostow whose model is in fact intended as an anti-Marxist statement. Rostow provides us with what he calls the five stages of economic growth, which derive from his study of the history of all the societies that he considers to have developed. He tries to define the various stages of economic growth by certain economic and social characteristics. In the main he advances three propositions\(^4\) which give valuable insight into his model. First, he insists that the problem of growth is a historical one which must be
considered within a framework of a historical periodization. Second, he emphasizes that economic growth is not a continuous and smooth but a discontinuous and dialectical process which pivots on a sudden revolutionary transformation. Third, he stresses a particular aspect of this discontinuity of economic growth: that it proceeds not by a balanced development of all sectors of the economy, but successive leaps forward of the economy's "leading sectors". According to Rostow's thesis:

"It is possible to identify all societies, in their economic dimensions, as lying within five categories: the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass consumption...... These stages are not merely descriptions. They are not merely a way of generalising certain factual observations about the sequences of development of modern societies. They have an inner logic and continuity... they constitute, in the end, both a theory about economic growth and a more general, if still highly partial, theory about modern history as a whole." 

His first stage is the traditional society characterised as "pre-Newtonion" or one in which there is no "systematic, regular and progressive application of science and technology
to the production of goods and services". This implies not only a lack of technological development but also that a pre-Newtonian mentality is characteristic of most of the population. The society is of a hierarchical structure where political power is concentrated in the hands of the landowners or is embodied in a central authority supported by the army and civil servants. The second stage is the time when the preconditions necessary for take off are generated. Agricultural productivity is increased, entrepreneurs are willing to engage in risky ventures, a Newtonian outlook commences, and social overhead capital is built. The society is characterised by the gradual development of a new mentality, the rise of the propensity to accept new techniques and the emergence of a new class of businessmen. To Rostow, this new mentality is pervasive and spreads within and through the social elite within the society. The economy then moves into a period called the "take-off" into "sustained growth". The take-off is characterized by a significant increase in the rate of savings and by the development of leading sectors, that is, sectors of the economy that grow very rapidly and pull the rest of the economy along. The take-off witnesses definitive social, political and cultural victory of those who would modernise the economy over those who would either cling to the traditional society or seek other goals. Fourth comes the "drive to maturity". This period is simply the forty or fifty years following take-off during which other leading sectors come to the forefront and the benefits of growth penetrate the
entire society. Society begins to seek objectives which include but transcend the application of modern technology to resources. The economy is then ready for the stage of "high mass consumption". This stage, according to Rostow, can be attained by a technically and technologically mature society after having attained a certain level of national income if it is able to resist the attractions of world power and chooses the alternative of increased private consumption including automobiles, durable goods etc.

It is explicit in the Rostowian taxonomy that underdevelopment is the original general state from which the natural way of development leads towards the ideal type of the opposite pole. It embodies the assumption that underdevelopment is an aboriginal state - that underdeveloped areas have always been underdeveloped. Furthermore, he maintains that the now developed societies were once underdeveloped. Though based on an historical study of all the presently developed countries, Rostow's model has been criticized for not providing a sufficiently general theory of history or socio-economic development to allow for the impact on the stages of growth of the interaction between the developed and underdeveloped parts of the world. The model is ahistorical primarily because it does not correspond to the past or present reality of the South whose development it is supposed to guide and above all provides us with no information about the mechanism that propels the economy from one stage to another. Commenting on Rostow's model Gunder Frank points out that "it attributes
a history to the developed countries but denies all history to the underdeveloped ones". He reminds us that the history of the now underdeveloped countries has been most intimately related to the history of the now developed ones for at least several centuries. This relationship between the two within the same historical process transformed or rather obliterated the entire social fabric of the peoples whose countries are now underdeveloped. In reality it is also impossible to find any country which has the characteristics delineated by Rostow as the traditional stage since his construct corresponds neither to the history of the Southern countries nor of the crucial relations with the developed ones. Equally conspicuous by its absence is his second stage which contains the pre-conditions for take-off into economic development. In the judgement of Gunder Frank, even if we assume that Southern countries were traditional in the Rostowian sense before their contact with the North, these contacts and influences emanating from the metropolitan countries have not brought about economic development or even led to a take-off into development. While dismissing his first two stages as fictional he points out that the last two stages are utopian. In the words of Frank:- 

"while in Rostow's rendition of reality his utopian last two stages are the mere mechanical summation of the fictitious first two stages plus the third, in the unfortunate reality of the underdeveloped countries it is precisely the structure of their under-
development - which Rostow whitewashes with his traditionalism and externally created pre-conditions - and their structural relations with the developed countries, which Rostow fails to mention at all, that have for so long prevented the realization of the last two stages."

Another defect of Rostow's explanation of the schism between the North and South relates to the fact that the economic characteristics he cites in his model appear oversimplified and restricted to quantitative indices or the simple description of the state of productive forces, while the social characteristics are "narrowed down to the attitudes, propensities of society or the actual places and roles of individuals, endowed with certain propensities, in society's organization." François Perroux is also critical of the classification of the stages of development on the basis of quantitative changes in productive forces. He points out that in economic history the stages of development differ from those periods of growth characterised by the acceleration or slowing down of the growth of production.

On the same note, Baran and Hobsbawm have stated that Rostow's stages theory despite its comprehensive and sociological claims "reduces economic growth to a single pattern". To them the Rostowian model is given an air of spurious generality in that "any and every country, whatever its other characteristics, is classifiable only in respect to its position on the stepladder, the middle rung of which is the take-off".
Rostow's evolutionary explanation and diffusionist theorists in the non-Marxist school present the North-South divide as a fait accompli, though they argue that the development of the South could be hastened by diffusion and acculturation. The contention is that through the diffusion of technology and capital, Southern countries will inescapably evolve from a traditional toward a modern state; again if conditions in the South are to improve, traditional values must be challenged and modern diversified industry must replace current dependence on one or two agricultural products. The most essential component of the prescription of these theorists is a massive and voluntary transfer of resources, direct or indirect, from the North to the South leading to accelerated economic development. This means that Southern countries, instead of taking measures to stop the highly deleterious impact of underdevelopment will instead offer the North carte blanche to intervene in their economies under the guise of following a certain set of rules of development to "take off" into self sustaining economic growth.

The non-Marxist explanations are not cogent and do not reflect the historical experiences of Southern countries. Osvaldo Sunkel reminds us again that "the present international panorama of countries of different levels of development is not simply an aggregate of individual historical performances; the development process is not simply a race which started somewhere before the industrial revolution and in which some countries reached advanced stages while others stagnated
or moved slower". With the inappropriateness and irrelevance of many of the implicit assumptions and prescriptions of non-Marxist models, as we have attempted to show with Rostow's "historical" explanation, the emancipation of the Southern countries is primarily contingent on their own domestic efforts involving drastic structural and institutional transformation in the domestic milieu. But economic underdevelopment in the South cannot be interpreted to mean simply a lag, a low but natural and inevitable stage of growth; such an explanation disregards essential differences between the present state of the South and the earlier state of the now developed ones, the basically different external conditions affecting their internal development and the diverging and disequalizing effects of the same world economic process.

II

The Mao-Gandhi model for the economic emancipation of the South is a prescriptive model derived from Gandhi's conception of "Constructive Programme" as a fundamental and perennial means of social transformation and Mao's mass line strategy or general programme of socialist construction. This model can arguably be considered as the primal prescription designed to get the South to embark on collective self-reliance as a strategy for ameliorating the international economic order and more importantly for internal transformation. In this section, we will extract relevant aspects of the
social and political thought of Mao and Gandhi and apply them to the struggle of the South for emancipation from the syndrome of domination, dependence and exploitation. In Maoist terms the North and South can be regarded as two distinct and mutually antagonistic classes just like 'cities' and 'villages' with the former dominating and exploiting the latter. Mao argues that the 'villages' of the world should organise themselves into the bastion of global revolution and then encircle and eventually destroy the 'cities'. Seen in this light the contradictions among Southern countries (see chapter 4(ii)) are non-antagonistic and secondary while those between them and the North are essentially antagonistic. Southern countries are thus engaged in a global struggle against the centres of neo-imperialism in the North. They would find it easier to resolve their own inner contradictions in the dawning of the consciousness that their main struggle is against the common enemy and not amongst themselves. The call by the developing countries for the establishment of a new international economic order has to be expressed within the purview of this international class struggle. In other words in its endeavour to establish the international economic order, the Southern countries can find their correct strategic bearings only within the framework of such a global struggle.

The model posits that as in the case of all struggles of the oppressed and the exploited against the oppressors and the exploiters in history, the international class struggle must involve the positive strategy of consolidation
and the negative strategy of non-co-operation with the exploiters and organised assault on the infrastructures of dominance and exploitation. In this context consolidation would primarily mean economic co-operation among developing countries, as it were, to organise their 'poor power' to wring major concessions from the rich nations; non-co-operation would mean boycott of goods and services originating in the North, as far as practicable; while the assault would imply using foreign policies and all available international forums collectively by the South to attack and undermine politically all the institutions, formal rules and informal conventions making up the old economic order. It must be realized that the negative and positive aspects of the international struggle would dialectically interact on and reinforce one another.

Theoretically the strategy of non-co-operation can be traced to Gandhi's anarchistic suspicion of power and his rejection of violence. The Constructive programme is an essential adjunct of non-co-operation. According to Gandhi non-co-operation, whether against a national government, a foreign power or domestic vested interests, is always against institutions and systems of injustice; and it can be successful only when the people are able to build alternative institutions and systems to suit their requirements. In the heat of the struggle for India's independence, Gandhi came out with a model of self-sustained economic growth underpinned by a policy of non-co-operation with the imperialist powers. This entailed the boycott of foreign goods as these were
undermining the foundations of India's indigenous economy. He also organised a country-wide constructive programme for the decentralized and small scale reconstruction of the Indian economy through the mobilization of all the available manpower and natural resources of the country. Gandhi's idea of constructive work as an instrument of social transformation springs from the recognition of the need for constructing the infrastructure of the just society gradually and over an indefinitely long period of time. Again the programme, as envisioned by Gandhi, would gradually lead to the construction of a highly decentralized socio-economic infrastructure which alone could be defended, through nonviolence.

The strategy of consolidation has elements of the decentralized economic development under Gandhi's constructive programme, but derives mainly from Mao's mass line strategy. Decentralized economic development, with the maximum possible utilization of manpower and local resources, was an imperative economic necessity imposed by the vast populations, absence of industrialization, shortage of capital, abysmal poverty and mass unemployment which constituted the economic background of social transformation in China and India. With the mass line strategy, for example, Mao was able to galvanize the entire population of China for a gigantic but decentralized national economic endeavour based on guerilla methods of production. Apart from demonstrating the necessity of economic decentralization, he also paved the way for the effective utilization of the vast manpower potential for economic development and for removing the contradiction
between the city and the village. The main principle of the mass line strategy\textsuperscript{16} is that neither the revolution nor the political, economic and cultural transformation of society can be successfully accomplished without the support and active participation of the mass and that any obstacle, however great in any sphere of national development, can be definitely overcome if the invincible and indestructible power of the masses is mobilized by a correct application of the mass line.

Carried a little further into the realm of South-South co-operation, this argument means that economic linkages among Southern countries has to be coupled with internal transformation with the active involvement of the masses. The mobilization of national manpower and resources as well as economic co-operation among Southern countries would increase their resilience, viability and capacity for autonomous goal setting and decision-making. This would improve their capability for economic non-co-operation with the Northern countries and for launching a global political struggle against them. These strategies, as noted earlier, would weaken the infrastructures of dominance at the disposal of the developed countries and lead to a lowering of their rates of growth, if not to a restructuring of their domestic politico-economic systems. This process will again reinforce the domestic economies and the structures of economic co-operation among developing countries. An important requirement for the success of the strategy of consolidation is the need for Southern countries to undertake a deliberate
delinking of their economies from past dependent relationships, in particular by ending the psychological inertia of their ruling elites.

Dependence creates a political situation which retards development by linking elites in the periphery to the interests of the Centre. This prevents the emergence of autonomous forces seeking to mobilize balanced development and maintains extreme inequalities in the South. The "delinking process" is very important because if the ruling elite in the South maintain their traditional mooring to the North there is the danger that this might stymie the process of consolidation. By divesting themselves of any negative links with the North, the Southern elites would be in a position to embrace a collective campaign to accord preferential commercial treatment to one another, to harmonise financial policies and to boycott goods and services emanating from the North (non-co-operation). The loosening of the Northern connection would also tend progressively to reduce the sources of conflict among themselves.

At the level of policy effectiveness, the Mao-Gandhi model is extremely relevant for the contemporary plight of the Third World given its emphasis on internal transformation or what is elsewhere called "self-reliant auto-centred development".17 As emphasized in this thesis, this re-ordering will create the internal conditions most conducive to meaningful development and enable Southern countries to develop the latent complementarities in their economies.
Another important element of the Mao-Gandhi model is the stress put on the involvement of the masses and the maximum use of indigenous resources and technology in the developmental process. There is no doubt that internal restructuring in the South must be undertaken through absolute reliance on the capacity of the people themselves to invent and generate new resources and techniques and above all to increase their capacity to absorb them and put them to socially beneficial use. The role of the masses cannot be overemphasized, but we have to move a step further and suggest that internal transformation requires a dispersion of power and benefits among the entire population, rather than a concentration among the elite. Should Southern countries involve the masses in the developmental process, there will be no need for them to follow Mao's call for "direct and organized action on the part of the masses in order not only to alter socio-economic relations but also to purify the state system continuously". Again there is a stupendous scope today throughout the South to make much greater use of local resources and indigenous technology. This technology must be fashioned within Southern societies and lead to a reorientation towards the production of simple essential goods.

The most controversial aspect of the model relates to the call for confrontation with the Northern countries. This strategy is certainly unrealistic at the moment since the economies of most Southern countries are still linked in a neo-colonial mesh with the Northern countries. Confrontation
will become a credible negotiating leverage only when applied against the background of a self-reliant South. In the present international climate marked by overwhelming Northern dominance and bargaining superiority, an application of the confrontation strategy by the South will be tantamount to economic suicide. The Mao-Gandhi model as a development strategy for extricating the South from the clutches of Northern dominance represents an enlightened intellectual heritage of present day attempts at Southern economic co-operation. It is a remarkable model in that it puts equal emphasis on internal transformation of Southern countries and the need for a concerted struggle to bridge the North-South divide.

III

The dependency model as an explanation of the stunted development of the South or the divide between North and South is the product of the application of Marxist theories of imperialism and remains essentially economic in character. But an important theme in dependency literature is that directly or indirectly external dependence produces unstable or authoritarian political regimes. Central to the model is the thesis\(^\text{19}\) that the industrialization of a few Northern "metropolitan" countries has as its corollary the creation of "satellite" nations of the South which are locked through an international division of labour into a
subordinate status within the world capitalist economic system. Its most distinctive point, as Tony Smith points out, is its insistence that the "logic of contemporary Southern development can only be grasped by placing this process firmly within a globally defined historical context". This process of historical incorporation of the South into the world capitalist system is cited as the cause of their underdevelopment and their continued participation in this system maintains and even aggravates their underdevelopment. Gunder Frank describes this process succinctly when he notes that:

"in reality the now underdeveloped countries have long since been incorporated and integrated into the single world embracing capitalist system, to whose development they contributed and still contribute with cheap labour, raw materials or, in a word, with investible surplus capital. In this process - that is, in the process of capitalist development and of the economic development of the capitalist metropolis in Europe and North America - the social physiology of Africa, Asia and Latin America has been totally and uniformly changed into what it
is today, the structure of underdevelopment which was ... created by and still is consolidated by the development and structure of the world capitalist system."\(^{21}\)

In a rejection of neo-classical and modernization theories, he continued:-

"It is in capitalism then, and not in population growth or inertia and traditionalism, that the fundamental cause of underdevelopment resides. This is equally true of Africa, Asia and Latin America, which are distinguished by the remarkable uniformity of their structure of underdevelopment rather than by differences of nationhood, fatalism and institutions."\(^{22}\)

Thus instead of hypothesizing underdevelopment as an original state, dependency theorists explain that the now developed countries were undeveloped and that contemporary underdevelopment was \textit{created}. Paradoxically, the very same process (the expansion of capitalism) through which the Northern countries progressed brought the underdevelopment of the South and thereby the schism between them. Northern development and Southern underdevelopment are not two isolated phenomena, but rather two outcomes of the same historical process: the global expansion of capitalism. From the perspective of these theorists, therefore, the
socio-economic state of the South is not merely economic underdevelopment, not just a sign of their not having participated in development, of their having fallen behind in progress, but it is the product of a specific development, which is most closely connected with, moreover derived from the development of the capitalist world economy.

The relationship between North and South is seen as dependent rather than interdependent because the Southern countries lack the resources to create or choose alternative ways of responding to the constraints impinging upon them from the international environment. Interdependence, as we briefly noted in relation to North-South negotiations in chapter one, differs from dependence in that each party has more or less equal control over its own affairs and exchanges, flows and transfers bringing about the provision of needs are roughly symmetric. This equality permits co-operation rather than exploitation. To quote Dos Santos:

"The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development. In either case, the basic situation of
dependence causes these countries to be both backward and exploited. Dominant countries are endowed with technological, commercial, capital and socio-political predominance varying according to the particular historical movement - and can therefore exploit them and extract part of the locally produced surplus. Dependence, then, is based upon an international division of labour which allows industrial development to take place in some countries while restricting it in others, whose growth is conditioned by and subjected to the power centres of the world.\textsuperscript{23}

From the foregoing it becomes evident that the distinguishing feature of dependent (as contrasted with interdependent) development is that growth in the dependent countries occurs as a reflex of the expansion of the dominant countries - that is, foreign rather than national needs. What happens is that the dependent Southern countries because of their subordinate role in the international capitalist political economy are unable to make independent or autonomous decisions concerning the pace and direction of growth of their national economies. As McGowan puts it, "the issues of what to produce, how to produce and for whom to produce are decided by international structures and processes".\textsuperscript{24} Moreover, while the world market served as an instrument of expansion in Northern development, it restricts autonomous
development in the dependent South. Dependency, then, means that the alternatives open to the dependent nation are defined and limited by its integration into and functions within the world market.  

Dependency theorists are not oblivious to the repercussions of underdevelopment on the dynamics of internal development of Southern countries. It must be noted that the internal dynamics of dependency are as much a function of penetration as of domination. In discussing the consequences of dependency we have to go beyond generalised statements and show how the system of production, infrastructure and political relations in the South have been penetrated by the workings of the world capitalist system. We will therefore draw our attention to what has been called 'the structural distortion' of dependency which cripples autonomous development and further accentuates the North-South chasm. Dependence is hypothesized to distort the economic structure of the South by conditioning an outward oriented infrastructure, specialization in raw material production, lack of domestic integration among key productive and exchange sectors and the creation of resource uses which hinder sustained economic development. A sequel to the integration of the South into the international capitalist economy is the low differentiation of Southern economies, that is their orientation towards the production of primary products. This division of labour is hailed by neo-classical economists as an example of "mutual interdependence"; they assert that for the South to achieve rapid economic
development it is not necessary to substantially change this pattern of production, to carry out industrialization. Dependency theorists reject this interpretation and explain that the international division of labour between producers of primary and agricultural products and producers of manufactured products is a typical consequence of capitalist development, which necessarily assumes the form of gross inequality among countries. Raul Prebisch has pointed out that any national economy which remains undifferentiated will suffer from the vicissitudes of the international market, especially one specialised in the production of raw materials, because the terms of trade for these commodities decline relative to manufactured goods and capital equipment produced in the North. He denies that the present international division of labour is able to ensure the conventional advantages of international trade and denies the applicability of the thesis of comparative advantage in relation to the periphery.

To underlie the notion of the Southern countries serving as an appendage to the North, some dependency theorists claim that the sources of raw materials which were developed by investment from the metropolitan countries are still owned and controlled by capitalist corporations. The infrastructure established by these firms usually is without any internal linkages but instead geared towards serving the interests of the North, that is mostly toward agricultural export. This form of dependence ensures the systematic appropriation and expropriation of most of the surplus
produced by the local labour force as well as part of the surplus realized by the small commodity producers and a certain proportion of the income of the whole population.

In the beginning of this section we alluded to the ramifications of dependency on the political development of the South. It must be emphasized that the structural distortion arising out of the dependency syndrome is not limited to the economic sphere. An important area of concern for dependency theorists relates to the connections of the ruling elites in the South with counterparts in Northern countries to create a political structure which concentrates development in the international sector. We are told by James Caporaso\(^28\) that the dependency orientation "proceeds from a structuralist paradigm which focuses on the class structure in the peripheral country, the alliance between this class structure and international capital and the role of the state in shaping and managing the national, foreign and class forces that propel development within countries." The links between the elites in the South (periphery) and the core (North) crystallizes in this relationship to form what Johan Galtung calls a "bridgehead" of interests and connections. Osvaldo Sunkel claims that the link between the core and elites in the periphery increase income inequality by raising the incomes of elites and keeping the wages of workers low. To him the power of the elites in dependent peripheral countries is backed by their alliances with the core, so they are able to suppress demands for higher wages and income redistribution.\(^29\) To the extent that these
clienteles in the South carry out certain functions on behalf of foreign interests to reinforce the linkage, it is to be expected that their foreign patrons will take measures to keep them in a dominant and hegemonic position in their own societies.

Since dependency is "a relational property of a set of units" it serves as an important tool for interpreting the North-South divide by emphasizing variables such as unequal exchanges, power inequalities, structural inequalities and other linkages which help us to grapple with the workings of the present economic order. With this tool in our hands, we can understand that the establishment of international dominance-dependency control structures noted in chapter two, results from the internal dynamics or inner logic of the world-wide capitalist mode of production. The dependency model is by no means sacrosanct. It has been criticised for substantially overestimating the power of the international system or imperialism in Southern affairs today and also for systematically underestimating the real influence of the South over its own affairs. Again Frank Borilla states that dependency theory has been "largely silent about what is to become of the national idea ... dependency theory has failed to come to grips with crucial questions regarding internal differentiation and the sources of political energies reconstitutive of national aims." In spite of these and other criticisms dependency theory is not a superficial apology or a *deus ex machina* explanation of the economic plight of the South; it rather puts into proper
perspective the manifest decisional power, bargaining and structural asymmetries against which Southern countries have to contend in the global economic system.
NOTES AND SOURCES


6. Ibid., p. 5.


9. Ibid., p. 351.


16. For a comparison of the mass line and constructive programme strategies, see J. Bandyopadhyaya, *Mao-Tse Tung and Gandhi, Perspectives on Social Transformation* (Calcutta: Allied Publishers, 1973), Chapter Four.


18. J. Bandyopadhyay, *op. cit.*


30. James Caporaso, op. cit., p. 3.

The world economic situation has deteriorated sharply since the recession of 1980, though there are now indications that a recovery is on the horizon. Particularly hit by this crisis of contraction in the world economy are the Southern countries whose economies have not demonstrated any resilience unlike those of many industrialized countries of the North. Being in a subordinate position in the world economy these countries are highly vulnerable to the consequences of the contraction of production, of employment, of trade, of aid and of economic growth. The recession has taken its toll with world production declining by 1.2 per cent in 1981 and further falling in 1982.¹ In developed countries this has led to unemployment in excess of 10 per cent of the labour force, a proportion that is without precedent since the Great Depression. Again world trade stagnated for two years in succession and this stagnation has intensified because of the defensive protectionist policies of the developed countries. Lower growth rates in industrial countries reduced demand for exports of developing countries, while restrictive monetary policies were accompanied by interest rates well above inflation rates. The high cost of borrowing reduced their demand for private funds, while the commercial banks limited the flow of private capital to most developing countries as a result of their concern over high levels of exposure and reduced prospects for growth. In the face of the recession
many Southern countries have been forced into severely 
contractionary policies to lower imports and contain the 
increase in their current-account deficits. The cumulative 
effect of the widespread stagnation in the South is the 
further widening of the gap between them and the North.

As we focus in detail on various sectors of Southern 
economies it will become apparent that the devastating 
impact and debilitating effect of the crisis on the economies 
of the developing countries has added to their vulnerability 
and increased the urgency of South-South co-operation. 
The debt peonage of the South arising out of the world 
economic crisis is a device which seriously threatens to 
keep them as permanent appendages of the financial centers 
of the North. Willy Brandt reminds us that developing 
countries' debt should not in itself be regarded as 
something undesirable. It is undesirable when borrowed 
capital is not adequately used to enhance productive 
capacity, or when the average terms of debt are not 
commensurate with the borrower's capacity to repay and 
lenders fight shy of lending more.

For many countries in the South the fall in export 
receipts, coupled with the increase in interest payments, 
made it very difficult for them to maintain debt service 
payments. According to a world bank report\(^2\) the ratio of 
debt service to export receipts (including services) for 
all developing countries increased from 13.6 per cent in 
1980 to 20.7 per cent in 1982 (see Table 1). Again 
outstanding medium-term and long-term debt (MLT) increased
from 76.1 per cent of exports in 1980 to 103.8 per cent in 1982. Put in aggregate numbers it is estimated that total foreign indebtedness of developing countries reached some $630 billion by the end of 1981 made up of $490 billion of medium- or long-term debt and $140 billion of short-term debt (that is, of maturities of less than one year).

A study of the composition of borrowed and of other capital inflows to developing countries would reveal a significant change from grant and grant-like flows to loans from private creditors especially from financial institutions. The grant element in MLT loans from official creditors fell steadily from more than 40 per cent to about 24 per cent in the nine years to 1981 and the much smaller grant element in loans from private creditors vanished after 1978. More important on the debt question is the much faster rate at which debt service has risen, reflecting a continuation of the shift towards a greater proportion of market financing on harder terms by the South as a group, as well as the rise of real and nominal interest rates. From the point of view of the borrowing country, an increase or decrease in the real interest rates changes the opportunity cost of importing capital. In the mid-1970s this cost was low and indeed the negative real rates of interest embodied a transfer of real income from lenders to borrowers. Current real interest rates on private capital markets are high. Capital-importing countries must adjust, either by increasing the efficiency of their use of capital so that returns at least match marginal costs of imported capital, or by
substituting domestic savings for external borrowing or by reducing investment or by a combination of these measures. Since 1979 trends in interest rates have affected countries with large floating rate obligations in two related ways. The persistence of high, real, dollar interest rates, even after mid-1982, obviously increased the real cost of their debt service. In addition, the extreme volatility of interest rates (as well as exchange rates) complicated debt management both for borrowing countries and their creditors. The dual impact has fallen not only on those borrowers with a large share of Southern floating-rate debt (Brazil, Mexico, Argentina, the Republic of Korea, Chile and the Phillipines) but also on smaller borrowers that nevertheless have relatively large amounts of floating-rate debt (Peru, Morocco, Jamaica and the Ivory Coast). Even some low-income borrowers (Malawi and Zaire) have been affected. Many developing countries, especially those in the last category, have been forced to reschedule their external debt; those in Sub-Saharan Africa have often done so through the so-called "Paris Club"—the ad hoc meetings of Western creditor governments that since 1956 have arranged, when necessary, for the renegotiation of debt owed to official creditors or guaranteed by them.

Overall, almost as many developing countries have had to reschedule loans in the last two years as in the previous twenty-five years. Actually reschedulings have been essential to avoid formal defaults and to assure debtor
countries' future access to foreign capital. The rescheduling, however, simply shifts the burden of repayments to the future and increases the total stream of interest payments. Several of the largest debtor countries in the South, which have relied chiefly on private sources of finance, have also sought to reschedule their debt. These arrangements have generally been made through ad hoc committees of creditors, in conjunction with programmes agreed with the International Monetary Fund (IMF). The IMF has made a particular effort to ensure that these arrangements do not result in debt merely being transferred from private to official creditors, but above all encourage the commitment of additional new private loans.

Closely related to the debt question is the much broader issue of balance of payments disequilibria in the South. Long-term external development financing problems of many developing countries have been compounded by rising financial needs to cushion the impact of the changed international economic conditions. The current account deficit of non-OPEC developing countries (before official transfers) rose from $56 billion in 1979 to $88 billion in 1981. For many developing countries the payments difficulties have not only worsened but have been superimposed on long-standing imbalances. In various Southern fora, the cause of the balance of payments problem has been attributed to the structural deficiencies of the international monetary and financial system and in particular to the strict IMF conditionality. Up to the mid-1970s payments deficits were
broadly classified into three categories: temporary, due to climatic or cyclical factors which could be expected to be self-corrective and not calling for adjustment by the country concerned; those due to excess demand, caused by over-expansion in domestic monetary of fiscal policy, which had to be corrected; and fundamental disequilibria which would exist even without excess demand, for which exchange rate adjustments and other measures were needed. In 1978 the IMF abandoned pure recycling methods or unconditional facilities for solving balance of payments problems and now insists on supplementary measures in order to restore the initial objectives of Fund programmes out of track.

The body of criticisms in the South about the IMF conditionality centres on the fact that the fund concentrated excessively on a monetary approach to balance of payments analysis and also that political realities are insufficiently considered. This politically motivated approach to conditionality and in the granting of loans has undoubtedly been inconsistent with the requirements of development and structural adjustment. In some cases the economic and financial measures which are prescribed for the restoration of a sustainable external position only lead to modest loans in spite of their stringency. The sense of being forced to undergo painful policy changes for ridiculously low funds is one of the biggest causes of resentment of IMF conditions.

Again the IMF Compensatory Financing Facility does not come close to compensating developing countries fully for
temporary external shocks affecting the balance of payments. According to IMF data it has met less than one-twelfth of African countries' terms of trade deterioration in the years 1978-81. The paucity of funds in the South has not been eased either by the decision to boost the resources of the General Arrangements to Borrow (GAB) system from 6.4 billion SDRs to 17 billion SDRs, or by the decision of the interim committee of the IMF at its meeting in February 1983 to increase fund quotas to SDR 90 billion. The former decision does not seem to signal a volte face by the North to extricate the South from its financial quagmire, because as U.S. officials have categorically stressed the release of funds from the GAB pool to any Third World country would probably be triggered only by a major financial crises - one that threatened the industrialized countries' banking system. Thus the new GAB replenishment is nothing but a mechanism for the North to share the burden of bolstering up their banks in a crisis.

On the issue of increased Fund quotas, the Brandt Commission has commented that the increase in quotas would do no more than boost the liquid ratio to between a half and two-thirds which is still low in relation to past levels. This position is shared by the Southern countries who stated at the Seventh Conference of non-aligned countries in New Delhi that a doubling of Fund quotas to about SDR 125 billion was still essential if the Fund's resources were to be adequately replenished in the present situation. Apart from this the South has on numerous occasions requested
the IMF to meet the interest of developing countries by ensuring a direct link between SDR allocation and development finance.

The trade record of Southern countries has been seriously affected by the downturn in the world economy and the short-sighted protectionist policies of the North. As a corollary to financing, it could be noted that a good export record, apart from enabling developing countries to increase their foreign exchange, also strengthens their credit worthiness and permits greater access to loans. With the slowdown in the world economy, the increase in the volume of exports from developing countries (excluding OPEC) fell from 9½ per cent in 1979 to 5½ per cent in 1980 and under 4 per cent in 1981. The international trade of developing countries has suffered greatly from the continued plummeting of non-oil commodity prices, now said in real terms to be at their lowest since the Second World War. On the average, it is estimated that the dollar price of non-oil commodities exported by developing countries fell by a huge 13.2 per cent in 1982, with particularly severe reductions in sugar, rice and groundnuts, the unit value of which, in each case, declined by 35 per cent or more. It is interesting to note that while the export prices of developing countries' commodities dropped by 25 per cent over 1980-82, the prices of primary exports from industrialized countries declined by only about 12.5 per cent. A disturbing development for the South is the fact that prices of manufactures have on the other hand remained firm, with
the result that there has been a marked deterioration in the terms of trade (see Table 2) of oil-importing developing countries, which declined at an average annual rate of 19 per cent in real terms between the last quarter of 1980 and the first of 1982. Southern countries are thus caught in what one might call a cycle of stagnation which has consequences for the world economy. The massive decline in foreign exchange available translates itself into a corresponding decline in import capacity of developing countries, thereby reducing the exports of developed countries and threatening a major and cumulative contraction in world economic activity.

The performance and outlook for developing countries in trade looks gloomy but this should not obscure the rather remarkable emergence of the newly industrializing developing countries (NICs) as exporters of manufactured products. Indeed this is the only bright spot for the South in international trade. The NICs have established an important linkage for other prospective exporters of manufactured goods by dispelling the mood of export pessimism prevailing throughout the 1960s and by popularising the introduction of outward-looking growth policies by countries previously adhering to import substitution. In this context, a number of policy instruments have been increasingly applied such as the establishment of export processing zones, the liberalisation of imports needed for exports and the widespread use of various direct and indirect investment and export incentives. In the Asian region, NICs like Taiwan, Singapore
and Hong Kong have exerted an import pull for other developing countries. These countries have benefitted from direct investment and subcontracting by NIC entrepreneurs well placed to transfer some production processes and also some product lines to lower-wage-cost areas. Again the NICs have also provided markets for low-cost manufactures supplied by newcomers. The NICs are thus playing a crucial role in nurturing a new wave of developing-country exporters of manufactures. This development is an indication of the potential benefits to be derived from closer Southern linkages in the area of trade.

A disturbing facet to this progress is the increasing trend towards protectionism in the North. The impact on developing countries of the new protectionism in developed countries is not confined to their trade in products such as textiles, clothing, leather goods and footwear, of which they have been traditionally low-cost producers. It is extending to such other sectors as electronics and shipping, etc. where developing countries are developing substantial production capacity for exports. The World Bank in its 1983 Development Report points out that the "industrial countries stepped up their restrictions against exports from developing countries, sometimes by increasing tariffs, more often by import quotas or "voluntary" agreements to restrain exports." Apart from this it is stated that "they used other means such as restrictive quality requirements and health regulations to achieve protectionist ends."

This trend in the North is now widely perceived as a symptom
of an underlying maladjustment in the world economy and therefore seen as having a much more durable character. The maladjustment reflects in large measure the lack of significant progress on the part of the developed countries in restructuring their industrial sectors to accommodate the substantial shifts taking place in the relative competitive positions between developed and developing countries.

Frequently one hears the cliché in Southern circles of the need for trade but not aid. With the stifling of Southern trade by the North has the other side of the coin been any better? At a time when developing countries direly require large flows of concessional assistance there is a decline in these flows. The net disbursements of official development assistance (ODA) by the Development Assistance Committee (DAC) members as a whole amounted to only 0.35 per cent of their gross national product (GNP) in 1981 as against 0.51 per cent in 1960. It must be pointed out that after two decades the achievement is barely half the UN target of 0.7 per cent of the GNP of the developed countries. The International Development Strategy for the Third United Nations Development decade stressed that "developed countries which had not yet reached the target should exert their best efforts to reach it by 1985 and in any case not later than half of the decade. The target of 1 per cent should be reached as soon as possible thereafter."

The substantial new programme of Action in 1981 also included the commitment of the developed countries that,
in coming years, 0.15 per cent of their GNP would be provided to the least developed countries as official development assistance within the framework of the general increase of ODA flows to all developing countries. There are no signs at the moment to suggest that this and other commitments are being scrupulously followed. Some countries like the Netherlands and the Scandinavian countries have exceeded the 0.7 target. OPEC countries' aid, one-fifth of all ODA today, was equivalent to 1.46 per cent of their GNP in 1981 and was substantially higher than that in the capital surplus OPEC countries. Price inflation has also had an important impact on the real value of concessional flows made available by developed and other donor countries through bilateral aid programmes and multilateral institutions. In a number of traditional donor countries price increases have served as a veil behind which disbursements in real terms were allowed to stagnate or even decline.

An important area of concern is Northern vacillation over IDA replenishment which represents slightly more than one-eighth of all aid. IDA has been a major source of concessional finance for low-income developing countries with an annual per capita GNP of less than $786 (in 1981 dollars) and its terms have remained essentially unchanged: a 50-year maturity; 10 years of grace; no interest charge and a 3/4 of 1 per cent service charge on disbursed balances, though as from 5 January 1982 a new ½ of 1 per cent service charge on the undisbursed balances was instituted. Experience in the mobilization of resources for IDA VI has
been most unhappy. It was envisaged that the contributions for IDA VI would be committed in the period fiscal 1981-83. However, legislative delays in the U.S. and a bizarre reduction in its appropriations resulted in a thirteen-month delay in the effectiveness of IDA VI, a substantial reduction in IDA's operational programme for the period fiscal 1982-84 and finally a delay in the start of negotiations for the Seventh Replenishment of the Association. Commenting on the importance of IDA for the South at a meeting of IDA deputies in Washington, D.C. on November 22, 1982, A.W. Clausen, President of the Association, stressed that "the concessional-resource needs of IDA-recipients had increased substantially because of a number of factors, among them the need for reversing prolonged economic decline in sub-saharan Africa, the continued needs of other poor countries in South Asia, the Caribbean and elsewhere". As discussions continue on IDA VII it has to be said that grave consequences await some Southern countries if moves to dilute the quality of IDA either by proposing differentiation among countries or by hardening terms are carried through.

It is paradoxical that the South still has a food problem in spite of the fact that world food production is sufficient to cover all needs and also that agricultural output in the developing countries as a group grew at historically high rates of about 2.7 per cent a year during the past three decades. At the heart of the problem is the unbridled population growth in the South. Population growth, more rapid than agricultural growth in many Southern
countries, has sharply reduced per capita benefits of increased food production and the per capita benefits of increased food production and the associated increases in income per capita in many countries, particularly the lower-income ones. As a result many people in the developing world are still without enough food. Worst hit by the food crisis is Africa with population booming at a rate of 2.8 per cent a year while food output grows by a mere 1.5 per cent. Projections of the Food and Agriculture Organization (FAO) suggest that unless there is a very substantial increase in agricultural yields in Africa, the ratio of food produced to food consumed will decline from 86 per cent in 1975 to 70 per cent in 1990 and to 61 per cent in the year 2000.

Africa's problems in agriculture stem from several conditions. Cultivable land is becoming increasingly scarce. More marginal land has been brought under cultivation, either in zones of lower or uncertain rainfall or on slopes, and this has led to soil erosion and degradation. Again many African governments have frequently allowed procurement prices of government purchasing agencies to go too low, thereby discouraging farmers from producing more. For example, the government of Zimbabwe offered only $150 a tonne for corn this season (1984), forcing many farmers to redirect their energies to cash crop production, while at the same time finding itself faced with the prospect of having to pay $220 a tonne to import some 700,000 tonnes. Added to this the general shortage of foreign exchange has limited the availability of imported fertilisers, pesticides and other
inputs. It is estimated that African countries on the average are importing 8-9 per cent of their food. In countries where exchange rates are overvalued the cheaper imports may have contributed to the decline in food production. Some governments have also subsidized the urban population's consumption of imported food grains, such as rice, wheat and maize by commandeering large quantities at low prices and in effect driving down the price and restricting the market for local foodstuffs. This phenomenon could in a narrow sense be equaled with the Marxist dichotomy of "cities" and "villages".

There is also a nascent food problem in South Asia. In this region the balance between population growth and agricultural growth remained essentially unchanged. In spite of high growth rates of total agricultural production, output per capita grew at only 0.1 per cent in the 1960s and was practically static in the 1970s. This performance is a salutary reminder of the consequences of high and sustained rates of population growth.

In general developing countries are the biggest importers of food grain, accounting for 36 per cent of world grain imports in 1980. According to the FAO if the present level of demand is to be maintained in the developing countries, the imports of cereals would have to rise from an average 36.4 million tonnes in 1978-79 to 72 million in 1990 and 132 million tonnes by the end of the century; for the poorer Southern countries the amounts involved would be far in excess of their capacity to pay. This grim
projection of the food situation emphasizes the need to give agriculture its proper place in the growth process of Southern countries and also see it as a poverty reducing device. One way in which agriculture can contribute to poverty reduction is indirect. Economy-wide growth that provides new, more productive non-agricultural employment opportunities is essential for the long-term alleviation of poverty. Strong agricultural performance can stimulate the process of economy-wide structural transformation. Combined agricultural and economy-wide growth simultaneously generates more employment in the urban and rural sectors. We can conclude discussion on the agricultural front by stating that in an uncertain international environment where food aid is increasingly being used for political purposes, the South can gain substantially from co-operative strategies that better exploit their potential for agricultural growth.

Many developing countries are currently facing serious problems connected with the development of energy resources and with the future stability of energy supplies and prices. There has been long-standing need for the developing countries to adjust their energy consumption and production patterns to reflect the high cost of energy engendered by the OPEC action in 1973. The urgency of adjusting to higher energy costs is in no way diminished by the recent substantial reduction of international oil prices, as this reduction is likely to be temporary and because developing countries are still in the middle of the transition to energy strategies
that are appropriate to the current level of oil prices. It must be remembered that since the price of oil is denominated in U.S. dollars, the recent dramatic appreciation of the dollar has meant that for many Southern countries, the real price of oil has dropped only marginally in real terms, if at all. Adjustment is made all the more difficult by the fact that in most developing countries, more efficient use of energy in production is usually impossible because at their stage of development economic growth typically requires more energy per unit of output. According to a World Bank report entitled "The Energy Transition in Developing Countries," the adjustment process can be facilitated by investments necessary to develop the developing countries' potential energy resources and estimated at $130 billion a year (1982 dollars), for the next ten years of which $64 billion is in foreign exchange. The World Bank estimates\(^1\) that even if international oil prices fall to $25 a barrel (1982 dollars) most of these investments - half of which would be in the power sector - will remain attractive.

In view of the vulnerability of the economies of the South to the workings of the international economic system they are particularly susceptible to instability in energy supplies and prices. It is significant in this regard that OPEC members committed themselves at their fifth conference in Caracas, Venezuela to accord priority to the other developing countries in securing the supply of oil for their domestic requirements on the basis of member countries' official prices. We will suggest in chapter five that OPEC
members adhere unscrupulously to this decision as part of the energy co-operation package. As recent experience has shown sudden increases in oil prices seriously exacerbate indebtedness and reduce growth in scores of countries in the South. On the other hand, when the price of oil plummets, as was the case during the recent oil glut, it presents oil exporting countries with the prospect of losing out on their ability to import, service debts and provide employment for workers from other countries. In Nigeria, for example, the government responded to the deterioration in oil revenues and budget finances by increasing import restriction, placing limits on borrowing by the individual states and above all by expelling thousands of foreign workers from neighbouring West African countries.

Having delineated the economic performance of the South in a number of sectors, it will be useful to sum everything up in terms of growth. The cumulative effect of the conditions noted above has been that past achievements of the South are being undermined and their growth jeopardized, as their economies are inextricably linked to the development of the capitalist world economy. The growth in output of developing countries was only 2.9 per cent in 1980 and 0.6 per cent in 1981. The per capita incomes of many developing countries, especially of the least developed countries, have suffered a decline. By the end of 1981 the reserves of the developing countries were only a little above $100 billion which could finance barely two and a half months of imports. In Africa they could finance less
than a month's imports. On the whole growth in the oil-importing developing countries decreased slightly in 1982 from an already poor performance in 1981. Growth in most developing countries was curtailed sharply because of the recession — in 1980-1982 their growth rate\(^{15}\) was less than half the 1973-1980 average. The growth rates of the low-income countries (excluding India and China) fell more than those of the middle-income countries. Among the latter the NICs demonstrated maximum resilience and were able to keep expanding their exports, especially exports of manufactures and also able to borrow heavily in commercial capital markets. In Sub-Saharan Africa annual growth fell off from 4.0 per cent in the 1960s to 2.4 per cent in the 1970s (see Table 3). These growth figures do not adequately portray the dire economic conditions in the South, but suffice it to say that lower growth in the developing countries has undoubtedly resulted in increases in unemployment and underemployment and hence in additional poverty.

We will conclude this section by emphasizing the fact that because of Southern heterogeneity the impact of the world economic crisis has not been uniform. In terms of the impact of the global crisis of contraction the developing countries fall into four groups. This classification is closely related to the explanatory scheme adopted in the introduction to this thesis. Under the first group of countries are those which have substantially strengthened their financial and economic position despite the crisis.
This includes the oil-exporting countries that the post 1973 oil price revolution brought a total of almost $400 billion, which is equal to one-third of the value of all the shares quoted on the stock exchanges of New York, London, Paris and Frankfurt. In spite of tangible losses resulting from the steady depreciation of the dollar and the recycling of petrodollars, the total foreign holdings of the OPEC countries (mainly in the form of deposits in the banks of the U.S. and other Northern countries and also in the form of government securities, bonds and shares of industrial companies and investment in real estate and other assets) are estimated at about $180 billion.

Making up the second group are those countries which have in the main managed to maintain or have slightly worsened their positions. This group comprises three categories of countries. The first includes the NICs with developed industries and rapidly growing exports of manufactures. In the second category are countries exporting strategic or scarce raw materials like uranium, bauxite, tin and phosphates (Malaysia, Morocco and others). The third group in the second classification are those countries close to the middle level of capitalist development, like Brazil, Mexico and Argentina. Because of the relatively high level of prices for their exports and the influx of foreign capital, countries of this group managed on the whole to cope with the economic difficulties better than other developing countries. It must be emphasized, however,
that these countries are reeling heavily under the burden of debt and its servicing.

The third group, the most numerous one, includes roughly 50 countries (the other developing countries minus the countries of the fourth group) which have variously suffered from the crisis and still feel the burden and effects of the continuing economic difficulties in the world economy. Because of the worsening financial and economic conditions, most of them have had either to fold up or defer their national development programmes.

Lastly, we have the group of 45 countries that have suffered most under the current crisis of contraction in the world economy. It includes 29 countries which are classified by the UN as the least developed and also insular and landlocked countries. It also includes the two major countries of the Indian subcontinent - India and Pakistan - which are at a higher stage of economic development than the other countries of this group but which rank among the poorest in the world in terms of GNP per head. These countries account for the bulk of the world's population, over 1 billion who live in total poverty or at least below the poverty line.
### TABLE 1
DEBT SERVICE RATIOS FOR ALL DEVELOPING COUNTRIES - 1970-82

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All developing countries</td>
<td>13.5</td>
<td>13.6</td>
<td>16.3</td>
<td>20.7</td>
</tr>
<tr>
<td><strong>Low-income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>13.3</td>
<td>7.9</td>
<td>8.4</td>
<td>10.1</td>
</tr>
<tr>
<td>Africa</td>
<td>6.5</td>
<td>8.8</td>
<td>11.6</td>
<td>28.3&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Middle-income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil importers</td>
<td>14.0</td>
<td>14.9</td>
<td>18.0</td>
<td>23.0</td>
</tr>
<tr>
<td>East Asia</td>
<td>6.7</td>
<td>7.0</td>
<td>7.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Latin America</td>
<td>13.0</td>
<td>33.3</td>
<td>39.6</td>
<td>53.2</td>
</tr>
<tr>
<td>Oil exporters</td>
<td>13.9</td>
<td>13.0</td>
<td>15.7</td>
<td>19.1</td>
</tr>
</tbody>
</table>

<sup>a</sup> Estimated
<sup>b</sup> The sharp rise in 1982 reflects the accumulation of arrears and does not allow for any reschedulings in 1982.


### TABLE 2
TERMS OF TRADE OF DEVELOPING COUNTRIES 1973-82
1978 = 100

<table>
<thead>
<tr>
<th>Developing Countries</th>
<th>Change in terms of trade (per cent)&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Change in purchasing power of exports (%)&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low-income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>12.1</td>
<td>-3.2</td>
</tr>
<tr>
<td>Africa</td>
<td>-15.3</td>
<td>-43.8</td>
</tr>
<tr>
<td><strong>Middle-income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil importers</td>
<td>-9.5</td>
<td>-10.7</td>
</tr>
<tr>
<td>Oil exporters</td>
<td>59.9</td>
<td>31.8</td>
</tr>
</tbody>
</table>

<sup>a</sup> Ratio of export unit value index over import unit value index
<sup>b</sup> Product of terms of trade and export quantum index.

*Source:* World Bank
### TABLE 3

GROWTH RATES OF SELECTED GROUPS OF COUNTRIES 1960-1981
(AVERAGE ANNUAL PERCENTAGE GROWTH OF GDP)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Developing Countries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low-income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China and India</td>
<td>4.5</td>
<td>4.9</td>
<td>China 6.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Other low-income</td>
<td>4.4</td>
<td>3.5</td>
<td>Africa 0.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Middle-income</td>
<td>5.9</td>
<td>5.6</td>
<td>3.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Oil importers</td>
<td>5.8</td>
<td>5.6</td>
<td>3.7</td>
<td>1.6</td>
</tr>
<tr>
<td>Oil exporters</td>
<td>6.2</td>
<td>5.5</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>High-income oil expts.</td>
<td>8.5</td>
<td></td>
<td>4.5</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>Industrial countries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(other than E. Europe)</td>
<td>5.2</td>
<td>3.2</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>E. European industrial</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>countries (net material</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>product</td>
<td>n.a.</td>
<td>6.4</td>
<td>2.7</td>
<td>1.8</td>
</tr>
</tbody>
</table>

*Source: World Bank, World Development Report 1982 (Low-income is defined as 1980 GNP per person below $410).*
NOTES AND SOURCES

1. Figures cited in resolution of non-aligned meeting in New Delhi, 1983.


8. Ibid., p. 27.


CHAPTER 4(ii)

Constraints - foreign and domestic - typically have overwhelmed the few regional integrative schemes and also attempts at the implementation of collective self-reliance on the international level. It seems useful, therefore, to try to analyze the reasons for such a widespread foundering of these co-operative projects which have the potential of increasing the individual and collective bargaining strength of the developing countries. As an introductory remark it can be pointed out that important forces continue to divide the South. Cleavages arising from its heterogeneity continue to plague the Third World.

The major forces working for differentiation among the Third World countries are the level of their economic development (especially their degree of industrialization), the nature of their external economic relations (surplus versus deficit countries, dependency on one or two raw-material exports versus diversification of exports, membership of regional groupings, alignment with metropolitan advanced countries versus relative economic independence) and the nature of the socio-economic structure prevailing in these countries. Before analyzing the nature and extent of the impact of these forces on the co-operation efforts we must consider the external obstacles that continue to impede and indeed frustrate the co-operative activities among developing countries.
The biggest impediment to economic co-operation among the Southern countries is the orientation their respective economic processes had developed during the days of colonial rule. Notwithstanding planning efforts and other economic reforms undertaken in most Southern countries after the attainment of independence, the basic orientation of economic processes has undergone little or no change. In fact, in many cases such orientation has been intensified as if not to validate the political decolonization of a nation's economy. The empirical pattern of external economic relations of the big Third World countries (India, Indonesia, Egypt, Nigeria and Brazil) has changed little since independence. Primary products are still their major export, items to the developed countries of the West and manufactures are their major import items from the West. This pattern of trade follows the hierarchical order of level of industrialization, that is primary goods are mainly oriented to the highly developed countries, while manufactured goods are for the most part absorbed by other developing countries.

It must be stressed, however, that for the developing countries as a group, exports of both fuel and manufactures have increased in importance over many years. The share of agricultural commodities in their total merchandise exports declined from 50 per cent in 1965 to 23 per cent in 1980. While developing countries can no longer be caricatured as exporters of primary products and importers of manufactures, sight must not be lost of the fact that for many developing
countries - particularly the poorest - primary products still dominate their exports. Many Southern countries are highly dependent on one export commodity: coffee still represents almost 90 per cent of Burundi's recorded exports and more than 50 per cent of Colombia's. Other examples include cocoa in Ghana (70 per cent), sugar in Mauritius (more than 65 per cent) and copper in Zambia (more than 70 per cent).

External constraints on Third World co-operative efforts, in the main, centre around the whole issue of dependence or the asymmetrical relationship existing between the North and South, as we noted in our discussion of the dependency model. An explication of this concept of dependence would contribute to our understanding of how this phenomenon has discouraged the accumulation of experience and information on the potential of markets in the developing countries and on the procedures of trade and financing. We noted briefly in chapter two that in recent years, negotiators, especially in the North, have pursued discussions with the South using interdependence as a concept characterizing interactions among industrialized and developing countries. This is a basic flaw because the concept of interdependence applies to the developed nations exclusively; on the other hand the Third World exhibits dependence on the developed nations. As Fehmy Saddy points out, "a system of interdependence between developed and developing nations has yet to emerge, and above all equality and justice are as far as ever from being realized."
In this thesis we have used the terms "dependency" and "dependence" almost interchangeably, but for the express purpose of distinguishing the latter from the concept of "interdependence" let us say that dependence exists when a Southern country has a high level of economic interaction with a Northern country, when that interaction is of great importance to the national economy and when, therefore, the Southern country is influenced by actors or events in the Northern state. The Northern country, on the other hand, does not have a high level or qualitatively important economic interaction with the Southern state and is not influenced by actors or events in the Southern country. Whereas interdependence involves a high level of mutual economic interaction and mutual sensitivity, dependence denotes highly unequal economic interaction and highly unequal sensitivity. We must stress again that interdependence is a relatively symmetrical relationship; dependence is an asymmetrical relationship.

Dependence as a constraint on Southern economic co-operation is manifested in a variety of ways. There may be trade dependence. F. Stewart has suggested that "colonial trade patterns imposed a straightjacket on developing countries, leading to a bias away from potentially more lucrative trade with one another because of transport, financial, and marketing constraints." The consequences are excessive specialization and consequent vulnerability to price changes on the one hand; and, on the other, the loss of the dynamic benefits of trade with one another that
come from opportunities of learning by doing. Most Southern countries earn a large percentage of their gross national products from trade. Most of the Third World countries have a small internal market and thus depend on the larger Northern markets for the sale of their products. Furthermore, a large percentage of Southern countries' exports are often concentrated in a single or a small number of primary products, which reinforces sensitivity to foreign demand by making the country highly vulnerable to fluctuation in demand for the principal product.

The sensitivity of developing-country exports to activity in the industrial countries can be illustrated by a calculation based on some simplifying assumptions. If GDP in the industrial countries were to rise by just 5 per cent a year between 1982 and 1984, the oil-importing developing countries would increase the value of their exports by 20 per cent and the volume by 10 per cent. The cumulative effect of this intertwining relationship is that the developing countries have been reduced to the status of neo-colonial economies with growing dependence on external sources for development. Issa Shivji concludes that "a neo-colonial economy essentially remains a trading economy. It remains an export-oriented economy whose industrial units are vertically integrated with the parent industries in the metropolis (North) with no or very little integration with other industries or sectors of the neo-colony itself." In essence, trade dependence is characterized by the Southern economy's significant dependence on trade with the North
and the high levels of sensitivity to factors which influence that trade.

Trade dependence inhibits the development of South-South trade and the concomitant benefits to be derived such as shared technological requirements of the South; advantages of the appropriate technology supposedly embodied in capital goods produced by developing countries; and the utilization of linkages in their economies. Recent studies show that in spite of trade dependence, newly emerging complementarities among developing countries have significantly increased the potential for trade among them. During the 1970's, developing countries increased their mutual trade much faster than their trade with developed countries, with trade in petroleum and in manufactures being the main motor of this development⁸ (see Table 4). It will be noted later that developing countries have rapidly developed new productive activities, technologies and skills and have substantially diversified their export patterns. This is a major move away from the trappings of trade dependence and conceivably could result in a major breakthrough for attempts at establishing multilateral trading relations in the South.

The trade and aid agreement between the African, Caribbean and Pacific (ACP) states and the E.C. (the Lome Convention)⁹ is a serious threat to economic co-operation among developing countries at the international level. In the first place it has driven a wedge between countries in the Third World acceding to the Convention and those who are
out of the framework. The provisions of the Lome Convention relating to trade, stabilization of exports, aid and industrialization have had a negative impact on attempts by the Third World to formulate a common position toward the North in matters like investment, transfer of technology and the establishment of the Commodity Fund. The Lome regime itself has not contributed to the delinking of the South from its dependency relationship with the North. In a sense the Lome regime is only a small step forward from the old link, and is basically preserving the traditional capitalist division of labour, maintaining dependence and the former possibilities of exploitation. With the benefit of hindsight it can be said that lofty provisions have not changed the essential nature of the historical relationship between Europe of colonial capitals and an ACP of colonial outposts. Trade and industrial development have continued to be thorny issues in the ACP-EEC relationship. The ACP representatives protested in stronger terms than ever before that the Convention had not helped to change the "colonial" pattern of their trade with the Community.

The view that Lome represents the preservation of the traditional capitalist division of labour was reinforced by a report drawn up for the ACP-EEC Consultative Assembly held in Rome in November 1982. This report pointed out that the ACP share of EEC imports (excluding petroleum products) since 1977 had actually been decreasing and currently stood at 5 per cent compared with 7.1 per cent in 1977. The Report concluded that "the provisions governing trade in
Lome have produced exactly the opposite effect from that which was intended: it has resulted not in an upturn but a downturn in ACP external trade.\textsuperscript{10} ACP officials also stress that the Convention's Chapter on Industrial Co-operation has failed to produce satisfactory results. They point out that 95 per cent of ACP exports to the Community still consists of raw materials and, secondly, that Africa's share in world industrial production is still barely more than 1 per cent. In this respect Lome remains basically a neocolonial association which is nothing less than a partnership of unequal partners. More serious also is the fear that the Lome system, if prolonged unduly, will relegate the whole of the ACP into a permanent appendage of Europe alienate non-members of the Scheme in the Third World and ultimately undermine South-South co-operation or collective self-reliance.

The winning of permanent sovereignty over economic and natural resources is a prerequisite to the attainment of effective economic co-operation among the Third World countries. Due to a shortage of capital, the developing countries have been confronted by the problem of securing the required capital and production technology for research and exploitation of their respective natural resources. Bearing in mind the current conditions in international financing, they still very much depend on multinational companies which enjoy the position of monopolies in this field. These corporations have almost unquestioned sovereignty over mineral rights and concessions in some countries. And
their decisions affect the lives of millions of people in these countries. Without doubt a serious problem facing the South in their efforts to foster economic co-operation lies in the fact that hitherto, there has been no effective method for controlling the policies or monitoring the activities or multinational corporations. The way out for the South, as will be emphasized later, is through the establishment of intergovernmental corporations or multilateral trading enterprises. The Southern corporations should operate joint enterprises with the same structure, initiative, flexibility and drive of public enterprises. These enterprises should be self-financing and therefore profit-making in their approach and given the highest possible political backing by the Southern governments.

Monetary dependence is another form of dependence which gives rise to structural bottlenecks in the Third World. External developments, including substantial fluctuations in the world market prices of primary commodities, sharp increases in the price of energy products, the slowdown of economic activity in the industrial countries and sharp increases in real interest rates in the international capital markets, have contributed to a serious deterioration in the current account positions of most non-oil exporting developing countries. The ensuring balance of payments disequilibrium has made the Third World dependent on assistance through the International Monetary Fund, which then virtually reserves the right to shape and to influence domestic and foreign monetary policy. The strict IMF conditionality
which is the key determinant of members' access to fund assistance is often applied in such a way that means that the Third World countries are urged to make concessions which may undermine regional arrangements and domestic stability. The debt problem is another manifestation of monetary dependence on the North by the developing countries. This debt "peonage" has resulted in an imposition of restrictions, a cutback in domestic expenditure and imports, an accumulation of arrears, or frequently a rescheduling of debt. According to the "World Development Report 1983" issued by the World Bank, the developing countries' medium- and long-term debt increased by 20 per cent a year in the 1970s. The Report also points out that although the average effective interest rate on total developing country debt increased from 6.3 per cent in 1970 to 8.9 per cent in 1980, this rise was less than the annual increase in prices of their exports or imports.

Beyond the strictly economic manifestation of dependence is the international transmission of institutions (most notably systems of education and health), values, patterns of consumption and attitudes towards life, work and self. This transmission phenomenon brings mixed blessings to most developing countries and especially to those with the greatest potential for more self reliance.

**Southern Differentiation**

The possibility of harmonization of economic policies envisaged under South-South co-operation is limited, at least
temporarily, by the heterogeneity within the South. As noted earlier, the South constitutes a heterogeneous group in terms of economic conditions, culture and social and political structures. This diversity has led to a series of distribution crises in many regional integrative schemes and even led to the demise or at least slowed down the integrative process in some. We will consider the peculiar problems affecting specific regional schemes later, but suffice it to say that this heterogeneity partly explains the slow movement in Third World economic co-operation. It is true that the developing countries share a common aspiration on the need to change the economic order, but one should not underestimate the structural differences which could hamper efforts at economic co-operation.

In the South there is a complex of interrelationships between culture, tradition, religion and ethnic and tribal fragmentation or cohesion. This creates a diversity in terms of the cultural outlooks, attitudes toward work and desire for self improvement among the work force. There is a further diversity in terms of the physical resource endowments (land, minerals and raw materials) and also the human resources (both numbers of people and their level of skills). The extreme case of the blessings of favourable physical resource endowments is, of course, the Persian Gulf oil states. At the other extreme are countries like Mali, Laos and Bangladesh where endowments of raw materials and minerals as well as fertile land are relatively minimal.
Countries in these extremes have different approaches to development and their economies have different degrees of openness making co-operation even more difficult.

Differentiation is also expressed in the size of the countries of the South in terms of geography, population and income. The sheer physical size of a country, its population and its level of national income are important determinants of its economic potential and a major factor differentiating one Third World country from another. Evidently large size usually presents advantages of diverse resource endowment, large potential markets and a lesser dependence on foreign sources of materials and products. But it creates problems of administrative control, national cohesion and regional imbalances. The interplay of the factors making for structural diversity is clearly expressed in two outstanding characteristics of economic growth in the South: wide diversities in country-by-country growth performance, and a rapidly growing disparity between richer and poorer developing countries.

Put more dramatically in figures, it is noteworthy that growth in the oil-importing developing countries decreased slightly from a base line of 1981. The GDP of Latin American oil-importing countries declined by 3.3 per cent in per capita terms, following a 4.5 per cent decline in 1981. Most other oil-importing countries achieved little improvement or actual declines in per capita income. The major exceptions were East Asian countries, which achieved high rates of
growth compared with most other countries. Their more flexible economies enabled them to cope better with the adverse international environment despite their dependence on trade. Even these countries, however, saw their growth reduced in 1982 well below its historical trend, as a result of debt problems and reduced demand for their manufactured exports. The disparity in regional and country-by-country growth performance reinforces the fact that the Third World is a diverse group of countries in terms of economic development and resource endowment.

Most African and Asian nations were at one time or another of western European countries — primarily Britain and France but also Belgium, Portugal, Spain and Germany. Their economic structures as well as their educational and social institutions, therefore, have typically been modelled upon those of their former colonial rulers. Countries like those in Africa which only recently gained their independence are therefore likely to be more concerned with consolidating and evolving their own national economic and political structures than simply with promoting rapid economic development. In Latin America, a longer history of political independence in addition to a common heritage (that is Spanish or Portuguese) has meant that in spite of geographical and demographic diversity, the countries possess relatively similar problems. In Asia, different colonial heritages and the diverse cultural traditions of the indigenous peoples have combined to create quite different institutional and
social patterns in countries such as India (British), the Philippines (Spanish and American), Laos (French) and Indonesia (Dutch).

Development strategies vary in Third World countries depending on the nature, structure and degree of interdependence among its primary, (agriculture, forestry and fishing) secondary (mostly manufacturing) and tertiary (commerce, finance, transport and services) industrial sectors. Agriculture, both subsistence and commercial, forms the principal activity in terms of the occupational distribution of the labour force, if not in terms of proportionate contributions to the gross national product. The structure of agrarian systems and patterns of land ownership show great differences between, say, Latin America and Africa, with Asian agrarian systems somewhat closer to those of Latin America in terms of patterns of land ownership. With respect to industrialization, there is wide variation among developing countries. Most Latin American countries have a longer history of independence and, in general, higher levels of national income than African or Asian nations, which possess more advanced industrial sectors. The newly industrializing countries like Taiwan, S. Korea and Singapore have greatly accelerated the growth of their manufacturing outputs and are rapidly becoming 'industrial states'.

An important issue is the relative importance of public and private sectors in Third World countries. It is fair to say that all Southern countries have 'mixed' economic
systems in the sense that there is both public and private ownership and use of resources. The relative importance of the two in different countries is mostly a function of historical and political circumstances. A large foreign-owned private sector usually creates economic and political opportunities as well as problems not found in countries where foreign investors are less prevalent. For example, African countries with severe shortages of skilled human resources tend to put greater emphasis on public sector activities on the assumption that their limited skilled manpower can be best used by co-ordinating rather than fragmenting administrative and entrepreneurial activities. Following from the relative importance of the public and private sectors in the South, it is noteworthy that economic policies, for example those designed to promote more employment, will naturally be different for countries with large public sectors. In economies dominated by the public sectors, direct government investment will take precedence while in private oriented economies governmental policies designed to induce private businessmen to employ workers through special tax allowances might be more likely than direct public employment creation.

Third World differentiation is not likely to diminish in the immediate future. Unless it is fully taken into account, it is bound to reflect itself in divergent positions, both vis-a-vis global relations of Third World countries with the outside world, and vis-a-vis the various issues of direct economic co-operation among Third World
countries themselves. The likely consequence of this differentiation is that South-South co-operation will have to be formulated in such a way as to leave each country free to pursue the path of socio-economic development and to adopt the economic policies that are consonant with the nature of the balance of social forces within its own society. Any attempt, through schemes of Third World co-operation, to put Third World countries in the straightjacket of a definite, pre-determined path of socio-economic development is bound to meet with failure.
NOTES AND SOURCES


4. For an explication of the concept of sensitivity in relation to interdependence, see Richard Cooper, "Economic Interdependence and Foreign Policy in the Seventies", *World Politics* (January 1972), p. 163.


8. For details on trends in this trade, see UNCTAD V Report "Economic Co-operation Among Developing Countries: Priority Areas for Action - Issues and Approaches", T.D./244, Suppl. 1.

9. For a comprehensive bibliography on Lome Convention, see *The NIEO: A Select Bibliography* (UN), p. 43.


13. For a discussion on the implication of differences between developing countries in level of industrial development for South-South co-operation, see Penaherrera, G.S., "Viable Integration and the Economic Co-operation Problems of the Developing Countries", Journal of Development Planning '78, p. 74.

South-South co-operation as a key element in the strategy of promoting wider structural changes in the existing mechanisms and the institutional framework needed to make effective a more equitable, efficient and prosperous new international economic order, has an essential role to play in a number of respects. It will lead to a fuller and more effective exploitation of existing and potential complementarities in the economies of developing countries, while at the same time contributing to a more balanced and realistic relationship between developed and developing countries. Again by embodying the potential for joint action, it will strengthen the capacity of developing countries to negotiate with developed countries and reduce the one-sided nature of their dependence on them. The development of their collective self-reliance would contribute immeasurably to their own economic and political stability and could be a valuable instrument for promoting the rational and efficient use of human, material, financial and technological resources available in developing countries for their individual and collective welfare.

Besides being a part of the necessary structural change, South-South co-operation is also an instrument for achieving it: it increases the individual and collective bargaining strength of the developing countries and, especially where it allows joint action, creates the countervailing power that is needed to negotiate the desired
changes in the international system. The consolidation and effective use of the developing countries' combined bargaining strength in international economic relations, therefore, is to be seen as a major objective of economic co-operation among themselves. This assessment is based on the recognition that changes in the present international economic order are essentially a function of power relationships. Thus there is little hope for modifications of that order unless the developing countries consolidate their own economic power base.

An awareness of the weakness of each individual developing country in isolation was, as Karl Sauvant suggests, the genesis of the Group of 77 and other co-operative efforts at the regional and subregional levels. The "unity" of the South is based on a shared historical experience, a shared continuing economic dependence, and a shared set of needs and aspirations. This view of the "unity of the South" was stressed succinctly by Julius Nyerere in his address to the Fourth Ministerial Meeting of the Group of 77 in Arusha in February 1979:-

"...... our diversity exists in the context of one common and overriding experience. What we have in common is that we are all, in relation to the developed world, dependent - not interdependent - nations. Each of our economies has developed as a by-product and a subsidiary of development in the industrialized North, and is externally
oriented. We are not the prime movers of our own destiny. We are ashamed to admit it; but economically we are dependencies - semi-colonies at best - not sovereign states.\(^2\)

Thus conceived the object of economic co-operation among developing countries is to complete the emancipation of the South from external domination. Indeed there is growing realization that collective self-reliance is the only instrument capable of loosening the "vertical links"\(^3\) historically associated with uneven development. For the developing countries, the relationship with the North has been a one-sided or asymmetrical relationship characterized by a condition of structural dependence. In the main the service infrastructure, including transport, marketing, finance and credit services, insurance and export promotion is still oriented to their economic linkages with developed countries. This dependent relationship has been generally accentuated in recent decades by the growing influence of the transnational corporations of the North, which have come to wield considerable power vis-a-vis the governments and enterprises of developing countries. As noted earlier, the dependence is manifested both in the domestic socio-economic structures of developing countries and in their external economic relations. A combination of adjustments in the economies of developing countries and intensification of trade and economic linkages is essential to remedy this condition. South-South co-operation, then, could permit the developing countries more effectively to exercise sovereignty
over their natural resources, to gain access to additional resources and knowledge and to obtain a greater measure of weight in international economic relations. An essential principle to be remembered is that the concept of South-South co-operation precludes the reproduction among developing countries of the relations of hegemony and subordination which exists between metropolitan countries and Third World countries.

It should be emphasized that a strategy of closer economic co-operation among developing countries does not imply a move towards autarky. Rather it involves a restructuring in the developing countries which will in turn contribute in the long run to global economic development. For example, South-South co-operation has been seen in the context of the need for the establishment of new dynamic centres that could "stimulate the expansion of the world economy." From this perspective increased economic co-operation among developing countries would provide the outlets for the exports of the more industrially advanced among them and foster effective competition with the enterprises of the industrialized countries, particularly the multinational corporations. Above all it would also promote a much fuller mobilization of the resources of the developing countries themselves, and enable them to contribute meaningfully to world economic development.

As a means of ensuring the realization of a realistic relationship between the North and South there are compelling reasons why developed countries should encourage and support
economic co-operation among developing countries. South-South co-operation is likely to increase the size of the markets in developing countries, and as the experience of developed countries with economic integration in Europe indicates, the effect will be to increase not only South-South trade but also trade with Northern countries. In addition, as an UNCTAD report notes, South-South co-operation will lead "to more standardization in production and marketing and greater harmonization of regulations, including trade barriers, thereby making it easier for developed country exporters and importers to increase their participation in economic activities with developing countries". Inasmuch as South-South co-operation may have positive effects on Northern economies it is in the interest of the North to abstain from adopting measures or actions that could adversely affect the process of co-operation among developing countries. It is therefore necessary for the Northern countries to commit themselves to abstaining as appropriate from adopting any kind of measures or action which could adversely affect the decisions of developing countries in favour of the strengthening of their economic co-operation and the diversification of their production structures.

The concept of South-South co-operation envisages the development of an integrated system for economic co-operation among developing countries which would help to avoid inconsistencies and fragmentation in the pursuit of collective self-reliance. Apart from being open to the developing countries of all regions, such a system should encompass
in a harmonious manner several elements designed to secure
the greatest advantage from multinational action. This
integrated system emphasizes two important elements. In
the first place, given the fact that early regional
integrative schemes were limited in scope and content,
the system should include the strengthening and broadening
of subregional and regional economic co-operation in a
manner consistent with global co-operation among developing
countries as a whole. Secondly, the system should
encompass a set of interrelated policies, mechanisms and
institutions designed to implement new forms of joint
action within a wide framework of Third World co-operation
with special provisions included in favour of the relatively
less advanced countries (see chapter 6).

South-South co-operation must be seen as a multifaceted
scheme and calls for concerted action in a number of inter-
related areas. The aim will be to utilize sectoral links
and reciprocally supporting characteristics of different
economic activities. The point to be remembered is that
all the activities in the co-operation package become
mutually self-reinforcing, making it necessary to formulate
a comprehensive and coherent strategy for economic
co-operation among developing countries with full cognizance
of the links between the separate activities which will
have an impact on economic relations among the Southern
countries and those between them and developed countries.
This approach implies that while detailed consideration
needs to be given to the different activities and elements
which comprise the framework for South-South co-operation, the interrelationships between them must be viewed as part of a comprehensive strategy. For example, it has been reckoned that the implementation of a global system of trade preferences would greatly facilitate the establishment of multinational marketing and production enterprises. It would also lead to greater co-operation between state trading organizations. By pursuing simultaneously a large number of co-operative activities within a comprehensive framework, it will help to ensure the widest possible distribution of benefits, since possible unevenness in distribution from particular activities can be counter-balanced by the pattern of distribution from others, with the result that a rough balance of equity can be attained without too much difficulty. This is very important when it is remembered that many integrative schemes in the Third World have floundered because of the difficulties connected with the distribution of gains.

**Programme**

The sectors which could be covered under the comprehensive scheme for South-South economic co-operation are many. The modalities and specific details for the implementation of South-South co-operation within these sectors have been delineated in a number of resolutions and Action Programmes. It is outside the scope of this thesis to spell out the various proposals embodied in these programmes; however, given the contrasting foci of these proposals an attempt
will be made to synthesize some of the bright ideas considered in numerous fora to fit the comprehensive framework noted above. It would seem advisable, however, that as a first approach the mechanisms of South-South co-operation be confined to the most critical sectors. This will go a long way to prevent frivolous schemes or ventures of an *ad hoc* discontinuous nature without any autocentric base. In this connexion it should be pointed out that although the importance of multilateral co-operation for the creation of physical infrastructure cannot be minimized, this facet of co-operation has already been largely explored and implemented in several parts of the developing world, both within and outside integration schemes, so that it might not be necessary to emphasize it as one of the fields in which new mechanisms and devices should be adopted. Thus given the Southern *raison detre* for embarking on economic co-operation it seems prudent in terms of importance to consider the following sectors: trade, finance, technical co-operation, and energy.

**Trade**

The present level of trade among the developing countries is very small. In spite of its recent rapid growth, trade among developing countries still forms only a small share of total world trade and falls far short of its potential. This is a reflection of the obstacles and barriers trade among developing countries has had to face. For example, mutual trade among developing countries amounted in 1977 to
$65 billion (about 5.7 per cent of world total trade), clearly short of its potentialities and its possible future scope for development. \(^{10}\) It is important to note, however, that the Southern countries are progressively utilizing the newly emerging complementarities for trade expansion. For example, in the half decade from 1969-1970 to 1974-1975, the mutual trade of developing countries expanded more rapidly than did their trade with the rest of the world. In current dollars, their mutual trade increased at an average annual rate of 35.5 per cent, as against the rates of increase in their trade with developed countries of 32.7 per cent for exports and 26.1 for imports, and with centrally planned economies of 25.3 per cent for exports and 20.5 per cent for imports. \(^{11}\) This was a reversal of trends in the 1960s. Questions have been raised on the propriety of interpreting the contrasting experiences in the 1970s and 1960s as a change in trend. \(^{12}\) It is said that the 1960s was a period of rapid expansion of world trade, with the pull of demand from developed economies together with falling barriers to world trade acting as strong stimuli to the expansion of exports of developing countries. In the 1970s the contention is that, the economic recession experienced by many developed countries led to a fall in import demand thereby helping to push up the share of the mutual trade of developing countries. Oli Havrylyshyn and Martin Wolf, for example, have questioned the validity of some of the interpretations and arguments on Southern trade flows. Citing a study in the World Bank of the exports
of 33 developing countries between 1963 and 1967, they conclude that there has been no large shift toward trade among developing countries since 1963, at least when the focus is upon nonfuel trade and where the capital surplus oil exporting countries are excluded. Without getting into the debate on the interpretation of trade flows it nevertheless must be pointed out that since the early 1970s trade among developing countries has gained new dynamism and there is wide recognition in the South of the benefits of intra-trade.

Expanded trade among developing countries can help promote development in several ways. In the first place availability of larger markets will lead to the establishment of industries large enough to exploit economies of scale. With the Southern countries constituting 77.9 per cent of the world population they do possess the requisite purchasing power that would make it possible for them to benefit from the cost reducing advantages of large scale production methods. Participation in expanded trade permits specialization and division of labour in harmony with natural factor endowments. Above all, exposure to external competition will compel local producers to be efficient in the interest of survival. It has also been noted\(^\text{13}\) that freer market access among developing countries would foster greater efficiency in many of their branches of economic activity.

Improved South-South trade has the attendant benefit of reducing if not eliminating altogether the instability of their external earnings. Better access to the markets of
other developing countries would enable countries to diversify the types of goods for exports. In particular, manufactures that may not be sufficiently adapted to the requirements of highly competitive markets of developed countries could first be exported to other developing countries. It may be relevant to point out that the commodity composition of trade among developing countries has changed with oil now accounting for 55 per cent, followed by manufactures (25 per cent) and basic commodities (20 per cent). \(^{14}\) Increased exports among the Southern countries would tend to reduce the vulnerability of their external sector resulting from heavy dependence on fluctuating and stagnating income from a narrow range of primary products.

By increased trade among themselves, the developing countries would diversify the geographical destinations of their foreign trade and thus become less dependent upon the traditional markets in the developed countries. If groups of developing countries were formed, they could throw their combined import potential into the balance and the countries concerned could obtain better consideration of their export interest and secure better terms of trade.

Essentially these various benefits of South-South trade are important enough to justify a determined effort to exploit systematically the opportunities available for trade expansion, economic co-operation and integration among developing countries. The South by taking action for forming multinational markets can make an essential contribution of their own through self-help action in the field of trade
expansion and integration with each other. In order to facilitate expansion of trade among developing countries, it would therefore be necessary to adopt deliberate policy measures. An important part of such policy measures would have to consist of reductions of trade barriers among developing countries. This is, however, not as simple as it may appear and there are several obstacles - economic as well as psychological - which make the task of trade liberalization more difficult among developing countries than among Northern countries.

Trade Expansion

Considering the present trends in international trade, the South cannot merely depend on the North for their trade expansion. For the desired breakthrough it is important that trade expansion be viewed as part of the whole co-operation package. It could not in any sense be the automatic result of traditional measures of trade liberalization and the free play of market forces, but would rather be the outcome of a set of programmed actions related to those taken in the field of production.

In considering measures for expansion of trade among the developing countries, the importance of movement towards more intimate forms of co-operation, the possibility of which is greater within regional or sub-regional frameworks cannot be minimized. More pronounced trends at present in developing countries in certain regions for considering expansion of trade in a regional or sub-regional framework
could be explained by the fact that geographical proximity facilitates that degree of harmonisation of all elements of economic policy that is necessary for merger of national markets. In accordance with this conception, trade expansion could be promoted by three major and complementary sets of instruments: first a system of preferences among developing countries which would set in motion the process of liberalizing access to markets; second, a system of devices to promote trade actively and to improve the trading position of the developing countries; and finally, a system of payments schemes and reciprocal credit support. The third instrument for expansion of trade will be considered under monetary co-operation.

Equally important in this package of trade expansion is the fact that trade among developing countries cannot be conceived only within the regional framework or related only to regional efforts. It has, therefore, been widely recognized that inter-regional efforts for expansion of trade among developing countries would lead to more fruitful results in terms of expansion of trade and would enable developing countries to forge closer links for seeking solutions to their trading problems with developed countries.

Preferences

Many developing countries have participated over relatively long periods as members of economic integration groups which involved far-reaching commitments with respect to mutual trade liberalization. Thus, about 50 countries
have acquired substantial experience with the operation of mutual trade preferences as members of the traditional sub-regional or regional integration groupings. This experience indicates that preferential techniques can, in suitable circumstances, constitute an effective instrument for stimulating trade and may provide additional thrust to the development of new productive activities.

Within most of the traditional subregional and regional groupings with long-standing preferential experience and far-reaching trade liberalization commitments, trade has substantially increased since their creation. Intra-grouping trade of LAFTA, for instance, increased from about $600 million in 1960 to $5.5 billion in 1977, which represents an increase of the share of LAFTA exports in total exports of the member countries from 7.7 per cent to 13.4 per cent. Subregional trade and its share in total exports showed also vigorous growth in the Andean group. From 1969-1974, trade within the Andean group increased from $90 million to almost $500 million and the share of intra-trade from 3 per cent to 7.1 per cent (excluding Venezuela). Between 1975 and 1977, intra-Andean trade, excluding Chile which ceased to be a member in 1976, and including Venezuela, rose from $470 million to $800 million or from 3.6 per cent to 5.1 per cent.

The two preferential arrangements that have operated outside the ambit of integration schemes in the South have achieved varying degrees of success in trade promotion. The Bangkok Agreement of 1975 which stemmed from work
done under the auspices of what was then known as the United Nations Economic Commission for Asia and the Far East (ESCAP) had as its cardinal aim the extension of mutual trade concessions on a preferential basis. The Bangkok Agreement sets out lists of tariff concessions on some 160 items worth around $50 million in mutual trade in 1975. The effect of the concessions is to reduce tariffs by an average of one-third on the products covered. Such reductions extend to agricultural semi-processed and manufactured goods. The agreement also contains other provisions on mutual trade expansion, including undertakings not to impose new restrictions on products of export potential in participating states and to extend special concessions in favour of products included in co-operation agreements or joint ventures by signatory countries.

Another impressive preferential arrangement in the South outside of integration schemes is the 1971 Protocol adopted by 16 countries under which they would grant each other preferential trade concessions. The Protocol, negotiated in the Trade Negotiations Committee of Developing Countries set up under GATT auspices, came into force in 1975 and has since been signed by two additional countries (Bangladesh and Paraguay). According to a Centre for Development Planning (UN) Report the scheme of concessions "covered some 500 headings and subheadings in Brussels Trade Nomenclature, relating predominantly to manufactured or semi-manufactured goods." It is further added that the mutual trade in products under these headings came to about
$40 million in 1973 and to more than double that amount, or about $100 million, in 1975\textsuperscript{19}. While mutual trade in the products covered by concessions increased substantially since the entry into force of the Protocol, it remains a small proportion of overall trade in these items and a tiny part of the overall trade of the participating countries: in 1976 trade in these items of the original signatories with other participating states amounted to $138 million\textsuperscript{20} or about 0.2 per cent of their overall imports. It is, however, premature to endeavour to make a full evaluation of the trade effects of the Protocol at the present stage.

These two pioneering efforts emphasize the need for the launching of a universal non-discriminatory preferential system of tariffs among developing countries for the mutual exchange of all goods produced, processed and manufactured in the developing countries. The system should emphasize participation and solidarity rather than the principles of strict reciprocity. The need to establish a system of trade preferences among developing countries is based on the premise that although trade among them is likely to grow spontaneously, a major reorientation in its geographical distribution cannot be expected without specific encouragement.\textsuperscript{21} Preferences would be a direct way of providing this encouragement.

The possibility of establishing among developing countries on a multinational basis a preferential zone, where imports from the South would attract the lower rates
expressed in percentages of tariffs applicable to third countries, has greater chance of being accepted and will prove very beneficial to all the developing countries for mutual expansion of trade. Such a universal preferential scheme, as distinct from the incipient stage of trade preferences within the regional groupings, will aim at fulfilling two fundamental objectives. In the first place it will seek to provide a limited advantage in favour of developing country suppliers vis-a-vis imports from the Northern countries, and secondly ensure an equitable distribution of the costs and benefits of the scheme among the individual participating countries. The global scheme has an advantage in that it enlarges the market more than integration between developing countries with modest markets can, and therefore it encourages a more efficient allocation of resources and may allow the countries to gain more from economies of scale.

Considering the economic differentiation in the South often expressed in widely differing economic interests and situations it is a desideratum that tariff preferences be complemented by greater flexibility of non-tariff barriers in cases in which they preclude access to markets. This is necessary to allay the fears of countries that otherwise rely mainly upon tariffs to protect their industries and safeguard their payments position.

Having made a case for Third World level preferences, though not underestimating the importance of regional arrangements, it seems useful to suggest a few details of
what such a programme would encompass. A major report commissioned by UNCTAD on trade preferences among developing countries outlines some elements for a comprehensive system of preferences. We will cite a few of the relevant elements mentioned in the Report. Among other things the UNCTAD report recommended the following elements:-

a) Coverage of traditional as well as non-traditional exports of developing countries, including manufactures, agricultural products and other commodities;

b) The inclusion of tariff as well as non-tariff barriers which preclude or severely limit access to markets, such as quantitative restrictions, licensing, import prohibition and foreign exchange restrictions;

c) Special preferential concessions for the exports of the relatively less advanced countries taking into account the special circumstances of each particular case and linking these concessions to more active measures in the fields of production and finance.

The pragmatic approach for implementing or approaching the South-South trade preferential scheme outlined above is to adopt a step-by-step harmonization of the existing regional subregional and interregional schemes into an
integral Third World system. Such a long term evolutionary process needs to be carefully phased so as to allow progressive and pragmatic adjustments to be made on the basis of the experience gained during the various phases.

Notwithstanding the desirability of trade preferences among the Southern countries, the implementation of a comprehensive programme of preferences is a task fraught with difficulties. Some of the difficulties were brought into sharp focus during the preliminary discussions in 1980 and 1981 held by a United Nations Conference on Trade and Development sponsored group of experts from developing countries on the establishment of the preference system. An important issue is whether the liberalization of trade should be limited to a reduction of tariff and non-tariff barriers or whether it should also encompass direct measures of trade promotion, such as long-term supply and purchase contracts that would provide importers with assured supplies and exporters with stable markets. The more advanced developing countries favour the first approach. By contrast, other developing countries, which rely significantly on state trading, insist on a long-term supply approach, arguing that because of their weak export structure and competitiveness they are unlikely to be able to take substantial advantage of the export opportunities arising from a mere reduction in tariff and non-tariff barriers. In the light of the issues noted above, it is imperative that the establishment of a margin of preferences with respect to tariff and non-tariff barriers should be combined
with trade co-operation measures aimed directly at overcoming the structural and other barriers hampering trade among developing countries.

Measures of Trade Promotion

In conjunction with preferential arrangements specific measures are required for creating new trade flows among developing countries. These include strengthened trade representation, promotion of international trade fairs and building up of market intelligence and training services, stepped-up efforts to provide export credit or export credit insurance geared to intra-trade of developing countries, and the establishment of multinational shipping groups or designation of regional carriers for intra-regional trade.

An important device for promoting trade, especially between countries not yet affiliated with regional integrative schemes, is the signing of trade agreements. The contractual agreements should involve commitments to supply and purchase specific commodities within mutually agreed price ranges over given periods of time. Apart from introducing into trade relations a degree of stability consistent with the overall plans of both the exporting and importing countries, they would open up the possibility of compensating disequilibria in trade flows or in the distribution of benefits deriving from joint projects.

To strengthen existing weak areas of marketing distribution and all levels of infrastructure needed for trade to expand,
specific measures should be geared toward the promotion of multinational marketing enterprises among them, the establishment of national enterprises in the fields of transportation, communications, shipping and insurance, and the conclusion of co-operation arrangements between these enterprises at the sub-regional, regional and interregional levels and the fostering of technical co-operation among the developing countries through the establishment of multinational research and training institutions.

Other supplementary measures for improving the developing countries' trading position in regards to exports are also required to break Southern dependence on the marketing systems and distribution channels of the developing countries, especially those organised through the intra-firm transactions of multinational corporations. The existing Commodity markets or exchanges, whether located in London or New York, were set up and controlled by the home countries and have had no relation to the economic interests of the developing countries. It seems prudent, therefore, to suggest that the geographic and commodity concentration of the principal exports of developing countries gives rise to the possibility of organizing jointly commodity markets or exchanges. A collective approach on this front would be indispensable to effective action, since these markets are characterized by a situation of competing sellers and oligopolistically organized buyers, often operating with speculative motives. Closely related to the creation of Commodity markets is the need for producer associations aimed at improving and
stabilizing prices. An important task of such associations should be to identify the particular measures or combination of measures which would be most effective in securing the best results for developing producer countries. The establishment of new producers' association under the aegis of the Council of Associations of Developing Countries Producers-Exporters of Raw Material will go a long way to assert the right of each state to exercise full control over its natural resources.

Financial and Monetary Co-operation

In the South-South scheme of things outlined in this chapter, monetary and financial co-operation are inextricably linked with efforts at trade expansion. The flow of trade among developing countries is impeded in many cases by payments difficulties. In anticipation of such bottlenecks, it is generally recognised that schemes for trade expansion among developing countries through the liberalization of trade regimes need to be supported by a number of concerted monetary and financial measures, including multilateral payments and clearing arrangements, trade financing facilities and capital and financial flows.

A modest attempt has been made in recent years at the establishment and strengthening of existing regional multilateral payments, clearing or credit arrangements (see Table 5). Remarkably, however, unlike trade preferences, very few interregional links have been established between the regional schemes. Even if the volume of inter-group
transactions has not been large enough in the past to make the need for such links apparent, changes in the pattern of world trade and in the trade of developing countries to foster trade among themselves suggest the emerging need for such links. Apart from lack of interregional links, a number of developing countries whose actual and potential trade and financial flows suggest that they could benefit from participation in such schemes do not at present do so. Assistance is therefore required in identifying the scope for extending the coverage of countries participating in such schemes. We will consider the feasibility of a global payments arrangement among developing countries through harmonization of operations in the existing monetary arrangements at the subregional level. Again it must be borne in mind that the ability of developing countries to move away from trade dependence on the North will depend in large measure on the availability of adequate and appropriate payment arrangements to support increased exchange among them and a financing facility geared to support trade expansion and over which they have decision-making powers.

Clearing Arrangements

As Table 5 indicates, there are at present seven clearing arrangements among developing countries: the Asian Clearing Union, the Caribbean Community multilateral clearing facility, the Central American Clearing Union, the Great Lakes Economic Community's Monetary arrangement, the Latin American free trade Association's payments system, the regional co-operation for development Union for
multilateral payments and the West African Clearing House. In all a total of 47 countries participate in such clearing arrangements on a subregional basis, which, except in the case of the Asian Clearing Union, are in turn linked to broader economic integration and trade liberalization arrangements.

Clearing mechanisms fulfill two important objectives. Firstly, they ensure the removal of various technical hindrances to trade and secondly the encouragement of such trade through trade liberalization by making it possible to economize on the use of scarce foreign exchange. The issue at stake is the extent to which interregional co-operation among the various clearing arrangements is possible. It has been noted that while amalgamation of two or more subregional clearing systems might be administratively cumbersome and unjustified in terms of the volume of transactions between the groups in question, a group-to-group link may well prove mutually rewarding, particularly where bilateral payments agreements between countries belonging to the two groups tend to depress actual trade flows below their potential levels for the sake of bilateral balancing. Such regional links might provide a basis for the establishment of a counterpart to the Bank for International Settlements (BIS) serving as a central bank for developing countries.

Three practical alternatives for initiating linkage between the subregional clearing arrangements have been recommended:

a) A country which is a member of a clearing arrangement could participate in another
such arrangement which is not incompatible and provides the country involved the advantages of multilateral compensation in both systems (e.g. a member of LAFTA participating in the Central American Clearing House);

b) A member country of a clearing arrangement could sign bilateral agreements with countries members of another clearing arrangement based on a network of bilateral agreements (e.g. a member of the Central American Clearing House entering into agreements with one or several members of the LAFTA clearing scheme;

c) agreement could be reached among two or more clearing arrangements. 27

South-South Development Banks

In their efforts to increase their exports, developing countries face certain difficulties connected with the provision of credit, particularly in cases where medium or long-term credits are required. Various institutions have been established to overcome some of the principal constraints in this area. Regional development banks have been with us for nearly two decades now - with the establishment of the Inter-American Development Bank in 1959, the African Development Bank in 1964 and the Asian Development Bank in 1966. Other regional banks to emerge in recent years include the Latin
American Export Bank, the Islamic Development Bank, Caribbean Development Bank and the Anean Development Corporation.

It is significant that capital surplus developing countries, essentially members of OPEC, have been recycling some of their petrodollars to the development banks and other capital-deficient countries in the South. A large number of development funds have been either established or financially augmented, both on a national and multilateral basis, including the Islamic Development Bank and the Arab Bank for Economic Development in Africa. Financial flows particularly from OPEC have now grown to significant proportions. An important feature of OPEC aid is the large share of general support assistance untied to specific projects. It is estimated that flows of finance (ODA and non-concessional) from OPEC increased on a net disbursement basis from $1.7 billion in 1973 to about $9.0 billion in 1977, more than half of which was on concessional terms.

While they channel considerably more money (as a percentage of GNP) to the developing countries than the OECD countries, it must be pointed out that the OPEC countries are doing so through their own new institutions, clearly in accord with their own perceptions of self-interest, and in a manner that is slowly leading to outspoken criticism from other developing countries. We have to look at the operations and sources of finance of the existing banks with a view to ascertaining the possibility of merging the existing ones or establishing a Southern Bank. A determining factor in the operational capacity of the multilateral development institutions is the
amount of their resources and this, in turn, depends on the number and nature of the member countries, the region served by the institution (see Appendix 2) and the purposes for which it was established.

The Inter-American Bank, though most of its activities are geared to the requirements of individual countries, has in a sense become the bank for economic integration in Latin America by financing trade and supporting multicountry projects in the framework of LAFTA. In addition, the Bank has provided more than $100 million to the Central American Bank for Economic Integration and also extended loans to the Caribbean Development Bank. As of 1971 the IDB has authorized resources amounting to almost $5,150 million and special funds amounting to almost $4,500 million. There are various reasons for this institution's success in collecting the large resources it handles; its establishment coincided with the emergence of the Latin American regional and subregional co-operation movement and with the start of a program of massive assistance to Latin America by the U.S. Another contributing factor has been the adoption of a policy under which only those non-member countries which have contributed directly or indirectly to the financing channelled through IDB may tender for the supply to projects of goods and services to be acquired with IDB funds. This has attracted foreign financing especially from the North.

The African Development Bank (ADB) has its membership confined to developing African countries though with Northern participation. On the whole the ADB has been instrumental
in financing pre-investment and other studies geared to promoting co-operation among several countries, particularly in the area of tourism, energy, insurance and transport, and has itself extended loans to subregional banks which promote integration through project lending.

Among the subregional banks the one set up as a financial organ of CACAM is the oldest. This agency's success in attracting external resources deserves to be mentioned. At the end of the first decade of the Bank's operations, these resources totalled $279 million as compared with only $38 million of the Bank's own global resources. The external resources derive mainly from global loans from AID and from IDB, as well as other financial arrangements with Japan, Canada, Mexico and some European countries. The five Central American countries forming CACAM are the only members who put up capital and are entitled to vote.

The multinational development banks bear the main responsibility for the promotion and financing of regional projects. In carrying out this responsibility, regional and subregional banks might not only give priority to financing such projects but also help to identify them and establish financial and technical assistance targets for this purpose within their loan programmes. Again the particular suitability of subregional banks for processing and administering loans to medium and small scale enterprises makes them the most appropriate channel for the global loan and sectoral development funds which world and regional agencies and bilateral aid sources are prepared to entrust to them. The
value of these banks as intermediaries is even clearer in the case of groupings of countries which have no national development agencies capable of administering external finance and in which the subregional bank can exercise such functions. While it is necessary for Third World banks to increase their resources by relying on untied funds from the North, it is vital that internal sources of funds be mobilized with a view to substantially increasing the capital of the agencies concerned. Finally, it is also important that regional banks and other financing agencies maintain the fullest possible contact with the governing bodies of economic groupings, so as to stimulate the formation of sectoral and multinational regional development programmes and ensure the compatibility of those programmes with the banks' lending programmes.

Technical Co-Operation

Technical co-operation among developing countries (TCDC) has assumed a critically important dimension in the South-South equation and in the overall moves toward the attainment of a new international economic order. The Kuwait Declaration on technical co-operation among developing countries of 5 June 1977, following four regional intergovernmental meetings on the subject, states that "TCDC is a historical imperative brought about by the need for a new international order. It is a conscious, systematic and politically motivated process developed to create a framework of multiple
links between developing countries". It is a means of building communication and of promoting wider and more effective co-operation among developing countries. It is a vital force for initiating, designing, organizing and promoting co-operation among developing countries so that they can create, acquire, transfer and pool knowledge and experience for their mutual benefit and for achieving national and collective self-reliance.

As a catalyst and lubricant for the wider efforts of the developing countries towards collective self-reliance, TCDC can be bilateral or multilateral in scope and regional or interregional in character. It should be organized by and between governments which can promote, for this purpose, the participation of public organizations and, within the framework of the policies laid down by governments, that of private organizations and individuals. It may rely on innovative approaches, methods and techniques particularly adapted to local needs and also use existing modalities of technical co-operation to the extent that these are useful.

According to the Plan of Action adopted by the Buenos Aires Conference in September 1978 the basic objectives of TCDC include inter alia the promotion and strengthening of collective self-reliance among developing countries through exchanges of experience, the pooling, sharing and utilization of their technical resources, and the development of their complementary capacities; to strengthen existing technological capacities in the developing countries, including the traditional sector, to improve the effectiveness with which
such capacities are used and to create new capacities and capabilities and in this context to promote the transfer of technology and skills appropriate to their resource endowments and the development potential of the developing countries so as to strengthen their individual and collective self-reliance; and to increase the quantity and enhance the quality of international co-operation as well as to improve the effectiveness of the resources devoted to overall technical co-operation through the pooling of resources. In this section the paramount focus will be on two issues. The first pertains to technological co-operation or the formulation, orientation and sharing of policy experiences with respect to science and technology. Secondly we will deal with the promotion of complementary industrial projects at the regional and interregional levels.

Technology

In recent years there has been some increase in the technological capacity of developing countries - an increase which, as is to be expected, has been unevenly spread among developing countries. This development is indicated by rising expenditure on research and development; by some evidence of incipient exports of technology by some developing countries; and by increases in the export of capital goods by some developing countries. But while these developments are potentially significant, particularly in relation to policy, they are of relative insignificance in the general picture. The Northern countries retain a massive preponderance in technological innovation which is a fundamental fact that
must underly any discussion of technology transfer: it is this preponderance that is sometimes described as technological dependence.

While it is true that most innovations occur in the developed countries, there are — to an increasing extent — local sources of technology in developing countries. Although small in relative extent, research and development in the Third World is increasing and Third World innovation and adaptation are rising. At the UN Conference on Science and Technology for Development (UNCSTD) in 1979 it was proposed that 20 per cent of the world's research and development should take place in the South by the year 2000 as opposed to the present figure of 3 per cent. For the realization of this target, technological co-operation should involve the upgrading of the collective technological capabilities of the developing countries through an exchange of experience and the improvement of the terms under which technology is being transferred from the industrial countries to the South. Again there should be better dissemination of information on the technological capabilities of the developing countries; the bridging of the weak links between research and development and local productive activities; the conclusion of scientific and technical co-operation agreements among them, the pooling of information on the terms and conditions for the transfer of technology from the North and, when appropriate, joint negotiations for the purchase of specific technologies from the industrial countries. Multilateral efforts to generate local technology and in-depth research culminating
in the establishment of the Central American Institute for Industrial Research and Technology Development and the East African Industrial Research Organization should be given added impetus and new research and development projects set up.

While co-operating amongst themselves to develop their research and development it is equally important for the South to develop a common position on the transfer of technology from the North. This is important because TCDC is neither an end in itself nor a substitute for technical co-operation with the North. Such a strategy\(^3\) will enable the South to overcome the technological and negotiating weaknesses of the countries, to assist in the establishment of transfer of technology centres designed to obtain necessary technological information, select from available alternatives, and to negotiate proper terms and conditions for external collaboration. Another fruit of Southern co-operation in the transfer of technology is that of obtaining, under preferential terms and conditions and at a minimum cost, the results of scientific and technological developments appropriate to their requirements. At the same time the South can be in a position to make arrangements for the grant of patented, patent-related and non-patented technologies, including know-how suited to the economic conditions of the least developed countries amongst them. This latter point is extremely important because it must be remembered that no matter where technological and social innovations emerge - and they are largely the product of the North - they are
heavily influenced by the economic and social conditions in the economy in which they are developed. Francis Stewart\textsuperscript{35} has rightly pointed out that during the past 200 years, technological innovations have been dominated by a handful of countries. At present he notes that the developed countries are responsible for 97 per cent of world research and development expenditures with six countries\textsuperscript{36} employing nearly 70 per cent of the world's research and development manpower and spending nearly 80 per cent of research and development funds. It is estimated that only 6 per cent of 3.5 million patents issued in 1972 were granted by developing countries and less than one-sixth of those issued by developing countries were owned by developing country nationals.

Past experience in the South indicates that technology developed for advanced societies often has characteristics that are ill-suited to much poorer economies: for example, technological advances in the North tend to be increasingly capital intensive, of increasing scale of production, and designed to produce products intended for high-income consumers. In essence increased co-operation on this front will enable the South not only to ensure the utilization of the potential internal sources of technology but also prevent the dumping of unadapted technologies into the South. The latter issue could be achieved through changes in the legal and juridical framework in the field of technology (for example, a code of conduct\textsuperscript{37} for the transfer of technology and a revision of the industrial property system).
Multinational Industrial Enterprises

The South has had a great variety of experience in industrialization, depending upon population size, natural resource endowments and geographical location as well as upon the strategies they have pursued. A singular issue which belies Southern industrialization attempts at the national level is the fact that some general patterns of constraint have crippled their efforts. A long list of economic and non-economic obstacles can be drawn including shortage of skilled labour, inadequate domestic markets, limited access to markets in the North, shortage of capital resources and balance of payments difficulties. It seems realistic that more emphasis be put on multinational industrial enterprises especially if the Lima target of 25 per cent for the share of developing countries in world industrial production is to be met. As emphasized earlier, collective self-reliance implies an active approach towards the creation of additional productive capacity through joint efforts.

A global strategy should as a first step set basic policy guidelines for the identification, formulation and establishment of these enterprises. Above all, it must also be a departure from earlier ad hoc joint ventures with no broad programmes of a multinational nature. Multinational industrial enterprises could include projects physically located in one or more countries and of significant economic interest to two or more countries, projects which have significant input or output linkages with existing or
proposed activities in more than one country, thereby exploiting relevant complementarities between participating countries and projects which can only be economically viable on the basis of markets larger than one single country can provide. There is a greater chance of success being achieved in this experiment at multilateralism if special consideration is given to projects having a great social significance to the participating countries as well as to projects which can facilitate the downstream processing of natural resources and the establishment of fully integrated industries. To avert the emergence of asymmetries in the South it is desirable for Southern policy makers to emphasize what Robert Rothstein calls the "spread effects" of their enterprises. A delicate balancing of the interests of participating countries has to be undertaken to enhance the prospects of development by stressing the importance of factor complementarity. There is the potential that factor complementarity would lead to a better use of resources, diversification of production, economies of scale and specialization, an improvement in market positions in third countries, or a combination of all or several of these effects. The complementarity of resources on a global basis would widen the economic options of co-operating countries beyond those offered by narrowly confined geographical spheres and would expand the possibilities for integrated production structures of individual countries as well as of those subregional economic groupings with a limited range of primary materials. Evidently then, such complementarity
serves to make the enterprises based upon them economically viable and of mutual interest to the participants.

Energy

Consideration of the prospects for co-operation in the energy sector must be based on the analysis of the problems the non-oil-exporting countries of the South are facing in maintaining their economic progress in view of the higher cost of energy. Developing countries consume a small share - 15 per cent - of the world's commercial energy. However, the rapid growth of cities, industries, motorized transport and other energy intensive developments, has in the past caused their demand for commercial energy to grow faster than their gross national product (GNP). Much of the increased demand has been met by oil and the great majority of developing countries must import all or a portion of their oil requirements. Oil accounts for some 75 per cent of the energy consumption of the developing countries with the rest consisting of coal, hydroelectric power and natural gas. As well as having to adapt their long-term investment plans, many of the importing developing countries are finding acute difficulty in financing their present imports of petroleum which in 1980 cost around U.S. $50 billion. Commercial energy consumption is projected to grow from 12.4 million barrels of oil equivalent per day in 1980 to 22.8 million barrels in 1990, while their production based on present estimates is expected to grow from 7.8 million barrels of oil equivalent per day to 15.2 million.
It must be borne in mind that energy requirements of the developing countries if not met adequately will hinder the process of their economic and social development and even threaten the process of South-South co-operation. Meeting Southern energy needs through the exploration and development, expansion and processing of all energy resources requires the generation of adequate financial, technical and human resources. The role of OPEC in the financing of schemes to meet Southern energy requirements cannot be overemphasized. This could take the form of the recycling of OPEC petrodollars to the exploration and development of the oil production potential of their Southern counterparts. As part of joint investments for the exploration and exploitation of additional sources of energy by non-oil exporting developing countries, OPEC can strengthen co-operation by contributing to the establishment of multinational enterprises under the auspices of a Third World Energy Planning Authority for the production of energy-related capital goods such as drilling, pipelines and storage equipment. OPEC members can give co-operation a boost by increasing their aid through existing channels and also by meticulous adherence to the decision taken in December 1979 by the OPEC Conference to accord priority to oil importing developing countries in securing a supply of oil for their domestic requirements. Perhaps OPEC could also consider the possibility of recycling funds through a two-tier oil pricing system which might eliminate as much as $10 billion from the oil bill of non-OPEC Southern countries. OPEC would still receive the significant depletion premium
that it imposes on the industrialized world through its pricing system, while relieving its Southern counterparts of a financial burden that impedes their development. Without substantial assistance from OPEC, it is unlikely that the oil importing countries can find the financial support to meet investments of about $130 billion\textsuperscript{42} a year (1982 prices) required to finance energy demands of the developing countries over the next decade.

An important facet of energy co-operation relates to the issue of Conservation and the development and utilization of new and renewable sources of energy. Conservation has to embrace the efficient use of both commercial and non-commercial energy. Oil importing developing countries are faced simultaneously with a commercial energy crisis and a no less serious crisis stemming from the use of non-commercial energy, which additionally creates problems of deforestation and desertification. Improving the efficiency of energy use means using each source of energy in such a way as to increase the value of energy output from a given volume of resources and reducing waste in each energy using activity. At the national level this means setting priorities among the principal uses of energy - for example, industrial versus commercial or household activities, public versus private transport; energy-intensive versus non-energy-intensive activities - and ensuring that government policies generally are consistent with these priorities. It is noteworthy that while conservation and the efficient use of energy could be dealt with at the national level it is
imperative that the development of renewable sources of energy be given the necessary attention at the interregional level. The fields to be covered should include solar, geothermal and wind power; tide, wave and thermal gradients of the sea; biomass conversion; fuel woods and charcoal; peat; draught animal power; oil shale and tar sand; and hydro power.

All Southern countries commensurate with their capabilities should be involved in the research and development, assimilation, adaptation, development and utilization of the new and renewable sources of energy. To support these activities an interregional body like the Southern Energy Planning Authority mentioned above could take up the task of stimulating the mobilization of additional and adequate financial resources from developed countries, international financial institutions and the private sector as appropriate to the developing countries for the development of these sources of energy through programmes and projects at the national, subregional and regional levels. At the same time this body will promote and provide assistance for the attainment of the national objectives and priorities established by developing countries, capabilities and institutional infrastructures for the effective incorporation of new and renewable sources of energy into national planning and policy processes.
NOTES AND SOURCES


2. See Appendix 1.

3. This conclusion was reached in the Report of the Director-General for Development and International Economic Co-operation, "Towards the New International Economic Order" (UN, New York, 1982).

4. Ibid., pp. 46.

5. "Economic Co-operation Among Developing Countries", Report by the UNCTAD Secretariat (TD/192).

6. See Conference Resolution 92 (IV) "Measures of Support by Developed Countries and International Organizations for the Programme of ECDC".


8. UNCTAD Report TD/244, p. 4.


10. UNCTAD TD/244, Suppl. 1, op. cit., p. 17.


15. On the whole, developing countries' trade patterns are still heavily dependent on trade with developed countries. Developing countries direct 72 per cent of their exports towards developed market-economy countries and 6 per cent to socialist countries, while the share of mutual trade is only 22 per cent. The Northern countries show exactly the opposite trade pattern: in 1977 their mutual trade amounted to 71 per cent of their total trade while the share of exports to developing countries constituted 24 per cent. In absolute size developed countries' exports to developing countries equalled two-and-a-half times the total mutual trade among developing countries.

17. The signatories are Bangladesh, India, Laos, Phillipines, Sri Lanka, Thailand and the Republic of Korea.


19. Ibid., p. 17.

20. GATT document L/4561 Committee of Participating Countries, Fourth Annual Report to the Contracting Parties.


23. See the Resolution on the Conference of the Ministers of Foreign Affairs of Non-Aligned Countries Held in Lima in 1975.

24. Charter of Economic Rights and Duties of States (Resolution 3281 XXIX).

25. A working group on multilateral payments arrangements met in Caracas, Venezuela in July 1977 under the auspices of the Central Bank of Venezuela and the UNCTAD Secretariat.


27. UNCTAD Report TD/244, Suppl. 1.

29. General Review and Special Issues, UNCTAD III Chile, p. 169.

30. This should include for example the allocation of a percentage of certain tax receipts to the Bank.

31. The Buenos Aires Plan of Action has 38 recommendations for further action by developing countries and by organizations of the UN system.


33. The Advisory service on technology of UNCTADA is helping developing countries in this regard.

34. The Action Programme for Economic Co-operation of Non-Aligned Countries held in New Delhi 1983, called on the South to continue their efforts in the context of the UN Conference on the adoption of a code of conduct for the transfer of technology to enable the Conference to expeditiously conclude an effective and universal code of conduct for the transfer of technology.

36. U.S.A., USSR, Japan, FRG, France, UK.

37. See the Mexico City Programme on ECDC.

38. UNIDO target was set at a Conference in Lima, Peru in 1975.

39. For specifics on project co-operation see Kahnert, K., et. al., "Economic Integration Among Developing Countries", OECD, p. 115.


42. The Energy Transition in Developing Countries (World Bank), p. 67.
CHAPTER 6

In the penultimate chapter we attempted to present South-South co-operation as an important instrument for the restructuring of international economic relations, by delineating the major sectors for such a scheme. To conclude we will examine appropriate arrangements for negotiating, executing and reviewing the different activities involved. It is absolutely essential that the broad principles of South-South co-operation be increasingly translated into tangible, practical results at all levels of endeavour to ensure the full credibility of this approach and intensify its contribution to development. The countervailing power that has been hypothesized in this thesis as accruing to the South for negotiating with the developed countries cannot be attained when economic co-operation remains on the drawing boards or reduced to a mere slogan.

This thesis suggests that Southern countries would have to pursue a variety of types of economic co-operation and coordination on a number of different levels. Admittedly limited progress has been achieved within existing regional integrative schemes, but the co-operation needed to influence decision-making at the international level requires concerted action within the framework of a comprehensive and concerted strategy taking full advantage of the interrelationships between, and the reciprocally supporting characteristics of, the different activities. For integrative schemes, especially those in their incipient stages, such
as ECOWAS and SADCC, a few areas require priority attention. In the first place, emphasis should be shifted decisively from trade matters toward joint endeavours in the development of regional industrial and agricultural resources and of a common transportation infrastructure. The transitional preoccupation with reliance on market mechanisms through trade liberalization and external protection have had only a limited impact on growth, virtually none on structural development and, through the imbalances they create, have raised political obstacles to co-operation even before substantial economic gains could be secured for the co-operating countries. Although the importance of co-operation in production is recognised and provided for in some economic integration treaties, in practice this form of co-operation has been relegated to a secondary order of priority in most integration groups. The new suggested emphasis on production should also embrace common approaches to the transfer of technology and the development of indigenous technological capacity, and to foreign capital and transnational corporations. Secondly intergovernmental machinery and community institutions should be improved in ways which would better harmonise national and common interests and better reflect the agreed goals of economic integration of the grouping concerned. In the case of SADCC there is need for a redefinition of goals or the broadening of objectives away from just the delinking of their economies from dependence on South Africa, toward tackling the acute economic problems of the region.
The consolidation of existing integrative schemes, this author maintains, will constitute a *sine qua non* for the promotion of economic co-operation in the developing world as a whole and should therefore be seen within the wider framework of the overall approach to collective self-reliance. The strengthening of such economic co-operation schemes can make a major contribution to the wider effort. Again the mutually supporting interrelationships between the various elements of South-South co-operation and existing subregional, regional and interregional integrative schemes deserve special emphasis. Once existing integrative schemes have been strengthened, they could be expanded outwardly to involve more neighbouring states on the basis of limited and selective concessions.

At the base of this pyramidal process is the basic unit - the Southern country - which must be revamped to undergird regional integrative schemes. It seems reasonable to suggest that internal self-reliance or transformation in Southern countries should be a condition for collective self-reliance. At least the development of an integrated global system for South-South co-operation would be given a firmer foundation if backed by autocentric development in Southern countries. In other words collective self-reliance would be greatly enhanced if each Southern country undertakes a full mobilization (a vital aspect of the Mao-Gandhi model) of its economic resources and directs the use of them to the satisfaction of the basic needs of its population and promotes a "national" pattern of consumption, instead
of reproducing the patterns in the North. Among other things the strategy of internal reordering should incorporate the alteration of existing class relationships, the development of new and "appropriate" technologies and institutions, the decentralization of decision-making and the increase of political participation. These internal measures should not be taken to mean a call for autarky, as the global strategy does not aim at such a goal. Rather each Southern country could consider a range of external policies ranging from "guarded contacts" with existing patterns of dominant economic and political relationships prevailing in the international system, to outright disengagement. The Cocoyoc (Mexico) Declaration\textsuperscript{1} on "patterns of resource use, environment and development strategies" endorses the idea of 'temporary detachment' from the present economic system and concludes that it is impossible to develop self-reliance through full participation in a system that perpetuates economic dependence. The external element of the internal transformation process is designed to stress economic links among Southern countries and deemphasise exchanges between North and South that are inherently exploitative in favour of the North. It is to be expected that as transactions with other developing countries begin to take the place of many of the previous ties to Northern countries, each country would be in a position to give the collective self-reliance programme a boost. This author agrees with the claim by dependency theorists and advocates of self-reliance that it is only through the expansion of exchanges with other Southern
countries that the exploitation inherent in the structure of the current world economic system can be eliminated. Again the acute economic crises (noted in chapter 4(i)) that developing countries have had to grapple with, coupled with their experiences with the development process, makes the concept of internal transformation very pertinent. There is now wide agreement\(^2\) among Southern leaders of the danger of adopting policies, concepts and patterns of development that do not allow the participation of the poor majority in development or patterns of international economic co-operation which confine trade, aid, investment, monetary policy and technological instruments of domination by the North.

With this compendious statement of the importance of internal restructuring within developing countries, it will be useful to synthesize the elements and activities mentioned in this thesis into a number of components. The strategy of South-South co-operation as an integrated programme for restructuring international economic relations is a package with a distinct temporal and reinforcing relationship among four discernible components. As we have pointed out, the first and most important component of this scheme is internal transformation in developing countries. This process will lead to the development of dynamic national structures or "pit props" upon which the global programme of economic co-operation could be based. In a nutshell, internal transformation should engender public participation in the development process, reduce the concentration of economic
power, utilize the economy's most abundant resources, and assist in the establishment of more egalitarian patterns of international economic relationships.

A second component which follows from internal transformation is the strengthening and broadening of subregional and regional integrative schemes. The second component would necessarily assume different forms according to the peculiarities of the existing or emerging integrative schemes, but a cardinal principle to be followed is to emphasise the emerging complementarities among them and delink from external instruments of exploitation. It has been suggested that when economies entering an integration scheme are already nationally integrated and have attained self-generating and self-sustaining growth, the concern of such a grouping may very well be directed to marginal shifts of established structures encompassing tariffs. But when these economies comprise dependent productive structures, their concerns are best directed to the alteration of such structures and, therefore, to more comprehensive and qualitatively different modes of economic co-operation. The second component also calls for organised collaboration and negotiations within the scheme designed to identify and exploit multinational combinations of natural resources, technology, management, finance and markets. This author is of the view that activities designed to strengthen subregional and regional groupings should: (i) overcome a number of obstacles of diverse nature encountered in the implementation of their respective programmes; (ii) propose ways and means of expanding the
scope of these programmes to include additional economic sectors, where appropriate, and increase the number of participating countries; and in line with the next component (iii) create interregional links among these schemes.

In the next component or phase of collective self-reliance one can envisage increasing interregional co-operation or the development of an integrated system of South-South co-operation. This level of co-operation is extremely critical to the restructuring of the economic order and should be conceived as a purposeful form of co-operation based on deliberate and planned actions, focussing on ways for the promotion of economic exchanges among regional integrative groupings. Apart from economic links among regional groups, this phase should transcend economic concerns with attempts being made to strengthen political cohesiveness of the South within existing organizations like the Non-Aligned Movement and Group of 77. Southern countries having strengthened themselves with all these facets of co-operation can enter into serious and meaningful negotiations with the North under the final phase of this scheme.

Notwithstanding the negotiating strength to be gained from the strategy of collective self-reliance it is vital that they increase their capacity for serious negotiations with the North through the establishment of an adequate and efficient institutional and organizational framework. The volume, range, technical complexity and multiplicity of forums involved in the negotiating process make it imperative for the South to consider seriously the audacious step of
establishing technical secretariat mechanisms or support teams to guide Southern countries through the maze of international economic negotiations. This author is recommending the establishment of a "Southern Secretariat" with a much broader scope of operation than the Third World Forum, with the explicit objective of shoring up and coordinating Southern strategy through research, policy analyses, technical services and other staff work in support of the South. The foregoing components offer in a parsimonious way a framework of principles capable of giving momentum to and establishing a mutually reinforcing relationships between efforts of co-operation at all levels, thereby strengthening the negotiating clout of the South. South-South co-operation then has to be implemented at all these levels and existing schemes and programmes that are floundering have to be reviewed and injected with a fresh dynamism to make all the composite elements pertinent, plausible and coherent.

Even the casual observer would note that over the years North-South negotiations have centred around the question of commodities. We have already pointed out that Northern countries possess the market power to approach these discussions from a position of strength, in spite of the fact that primary commodities account for approximately 80 per cent of the export trade of developing countries. This power derives in part from the growing market power of international conglomerates able to centralize marketing operations covering a range of commodities originating from a number of different international sources and destined for
a widely diversified international market. Few Southern countries, for obvious reasons, are in a position to establish competing marketing enterprises and the few which have been established are generally more limited in scope, in terms of both commodities traded and sources of supply as well as in terms of financial and other operational constraints.

In this regard, Southern marketing enterprises designed to handle a number of commodities originating in different countries with sufficient autonomy to mobilize resources and undertake market operations, suggest themselves as potentially useful instruments for increasing the participation of developing countries in international trade. The major objective of establishing such enterprises is to provide a framework in which developing countries can pool their efforts so as to improve efficiency and effectiveness in the marketing of their export products and to enhance their bargaining position in world markets. By pooling their efforts, groups of Southern countries may be able to command enough volume and to establish international trading operations on a sufficiently large scale to make marketing efforts in developed countries' markets practicable and thereby achieve the twin objectives of increasing their penetration in these markets and at the same time improving their returns from the marketing and sale of their export products. When these enterprises are established they could assist Southern countries in reaping many of the advantages now enjoyed by the large international traders and thereby enhance their
competitive position in relation to these traders. Evidently, by combining the marketing of the products of a number of exporters they could increase their market power. Again, as a combined operation, they would have access to more financial measures, and could obtain financing from international finance institutions on more favourable terms than those accorded to national marketing agencies individually.

For maximum effectiveness the legal and operational scope of multinational marketing enterprises should not be unduly circumscribed\(^5\) and should be based essentially on the agreed objectives to be pursued, taking into account the characteristics of the products to be marketed and the limitations imposed by financial and other agreed constraints. In concrete terms Southern marketing enterprises, as an UNCTAD study\(^6\) has recommended, could among other things perform the following functions:

(i) Centralization of the marketing of exportable supplies of goods, and adoption of guidelines for standardization and for adapting products to the requirements of the world market;

(ii) Implementing concerted programmes for reciprocal trade with developing as well as developed countries;

(iii) Centralizing the export promotion activities linked to specific commodities and establishing common trademarks and designs;

(iv) Setting up trade intelligence systems in the major markets;
(v) Encouraging research with a view to making innovation in product lines and introducing new lines, and advising national enterprises on ways of adapting their production to the requirements of the market;

(vi) Undertaking direct purchasing of exportable surpluses and entering into contracts with individual firms of the participating developing countries capable of producing goods to the required quality standards and at competing prices;

(vii) Purchasing in bulk the inputs and capital goods required by the specific production sectors;

(viii) Diversifying marketing lines so as to offset trade risks.

While the benefits to be derived from joint action in the marketing of export products may be easy to demonstrate, difficulties in the way of implementing effective action in this area are also apparent, for example, where competition in the exports of certain traditional exports makes co-operation difficult. The study of available experience of multinational marketing enterprises in both North and Southern countries indicates that, in general, such enterprises are the result of a long process which started with limited objectives such as the exchange of information, and lead in time to further co-operation in fields such as production, technology and marketing. This suggests that even where joint export operations may not be feasible in the short-run, co-operation
could start in fields such as the exchange of information, joint market research and joint distribution outlets. Such co-operation could significantly improve marketing operations by reducing overheads and by permitting a more intensive export promotion effort in major developed market economy countries than would otherwise be possible.

Closely related to the recommendation for the establishment of multinational marketing enterprises is the need for the intensification of a number of co-operation activities in the shipping sector which could have a particular importance for subregional, regional and interregional co-operation. An activity of particular benefit to trade expansion, as well as to the development of the merchant marines of developing countries, would be the pooling of information on cargo movements and service requirements by developing countries which are situated within the same liner service area with a view to developing joint sailing arrangements to increase the competitiveness of their liner fleets vis-a-vis those of the traditional maritime countries. Trade expansion could also be facilitated by the development of co-operative management arrangements between shipping lines of developing countries, and by the establishment of multinational shipping operations. Shippers in developing countries can increase their bargaining strength in dealing with liner conferences by the formation of shippers' councils and by forming regional associations to represent the interests of all shippers located within a conference service area.

Another activity which might strengthen regional and interregional integration schemes is a closer study of the
comparative economics of different forms of transport, in relation to trade expansion schemes and to possible cost economies under preferential trading arrangements. Research programmes (under the auspices of the Southern Secretariat) in this field might be developed in relation to specific integration schemes and particularly to non-traditional trades. The comparative economics, for example, of air cargo in relation to sea transport, and possible economies of scale, should be studied more closely for many new non-traditional products, both manufactured and unprocessed.

In the implementation of the programmes envisaged in all the phases of the South-South co-operation, special attention should be given to the least developed among the developing countries. Special support mechanisms would be necessary to enable such countries to participate fully in the co-operative effort and also put them on a sound economic footing for them to contribute meaningfully to the overall programme. Such mechanisms should include the following elements:

(i) Any preferential arrangements among developing countries in the field of trade (tariff and non-tariff barriers) should provide for special and more favourable treatment for the least developed countries;

(ii) Within regional co-operation schemes among developing countries, arrangements should be made (a) for the establishment of multi-national ventures in the least developed
countries with a guaranteed regional market; (b) for joint exploitation of common river-basin or other resource potentials, with special support provisions for participating least developed countries; (c) for regional and subregional training programmes, with special attention to the needs of the least developed countries in a regional grouping; (iii) Developing countries in a position to do so should substantially expand their flows of concessional financial and technical assistance to the least developed countries.

We demonstrated in chapter 5 that South-South co-operation may have positive effects on Northern economies and also contribute in the long run to global economic development. The comprehensive programme that is favoured by this author does not hinge on Northern support for its fulfillment; however, it can be facilitated by concomitant action on the part of Northern countries to abstain "as appropriate from adopting any kind of measures or action which could adversely affect the decisions of developing countries in favour of the strengthening of their economic co-operation and the diversification of their production structures". Added to such abstention, Northern countries should take positive steps of support including the following:

(i) Provision of financial and technical support for programmes of economic and technical co-operation of developing countries;
(ii) Provision of technical assistance and undertaking of appropriate policy measures in international trade organizations to support preferential trade arrangements among developing countries. Assistance could be provided to arrangements ranging from those of limited scope to a global scheme of trade preferences among developing countries.

(iii) Support for developing countries in setting up and operating multinational marketing enterprises. The support should include the removal of any existing restraints and the avoidance of any future impediments which would adversely affect their operation;

(iv) Allocation of funds within the development assistance programmes of developed countries for the promotion of multi-country projects of developing countries in the infrastructure, industrial, agricultural, natural resources and service sectors. Assistance could be directed towards the financing of prefeasibility and feasibility studies, the building up of project inventories, and the establishment of a continuing mechanism for cataloguing and assessing appropriate technologies and technological research;
(v) Donor countries, by changing their aid-tying regulations, would make it possible for aid recipients to acquire intermediate and capital equipment from other developing countries, thereby promoting further co-operation among them.

All in all, it can be stressed that the demands for a restructuring of the international economic order will involve new sets of relationships both between North and South and among the Southern countries themselves. South-South co-operation, as we have noted in this thesis, is an integral part of a restructured global economic system and an essential element of an overall strategy for global economic development. It is the only viable strategy for buttressing economic strength and bargaining power of developing countries for negotiations designed to restructure the present economic order thereby ameliorating obstacles to sustained, balanced and consequential development in the South. The stalemate in North-South discussions and the concomitant economic miasma that looms on the horizon can only be ameliorated when the strategy of collective self-reliance is wholly embraced by the South.
NOTES AND SOURCES


2. See the Belmont Statement: Self-Reliance and International Reform, in Overseas Development Council Communiqué, No. 24, May 1974.


5. This guideline was recommended by Mr. Jorge Gonzalez del Valle, a consultant who prepared a paper for the UNCTAD Secretariat entitled "Preliminary Report on the Feasibility of Global Payments Arrangements Among Developing Countries".

6. UNCTAD (TD/244/Suppl. 1), p. 38.

7. See Item 14 of Arusha Declaration for developments pertaining to the Convention on a code of conduct for liner conferences.

8. A number of measures have been recommended in the Arusha programme for collective self-reliance (see Item 15 and 16a).

9. See UNCTAD (TD/240) for details.
10. See UN Conference Resolution 92 (IV), *Measures of Support by Developed and International Organizations for the Programme of ECDC.*
APPENDIX I

Address by His Excellency Mwalima Julius K. Nyerere, President of the United Republic of Tanzania, to the Fourth Ministerial Meeting of the Group of 77, Arusha, 12-16 February 1979*

It is my duty and pleasure to welcome this meeting, and everyone of you, to Tanzania and to Arusha. I suspect that some of you may have found that your accommodation gives you too frequent a reminder that this meeting is being held in an under-developed country. I want to assure you that we tried hard! I hope, however, that you will not find your rooms or the facilities so unsatisfactory that you cannot do your work properly. I also hope that there will be an opportunity for you to see something of Tanzania. We have a lovely country, and we would like you to enjoy your stay here as well as to serve your countries and the whole Third World.

The Agenda of your Conference is very long; it deals with very important matters. Many technical questions are involved, in which details and percentages can mean the difference between the usefulness or otherwise of a proposal or suggested negotiating position. And these details are the reality of working for a New International Economic Order; unless careful attention is given to them (especially by those entrusted with negotiating power) the Third World demands are mere rhetoric.

But there is also a danger in details. When a Third World negotiator has, after exhausting hours of argument,

pushed the other side of the table from 30 per cent to 45 per cent he will feel a sense of achievement, and urge acceptance upon his colleagues. We should all sympathize! I am not a military man. But I am told that an Army Commander looks at a platoon's advance in the light of its effect on the total battle front. If that advance can be held without cost, or can be used to harass the opposing forces - fine! But if it exposes his troops pointlessly, or weakens the general strategy, then he congratulates the Platoon Commander and his men, and tells them to withdraw again.

At this Conference you will be looking at the details of past and present negotiations in relation to the aim of securing fundamental changes in the present International Economic Order. I do not propose to comment! The delegates here are much better equipped than I am to assess the negotiations about a Common Fund, changes in the power structure of world financial institutions, tariff and other restrictions on Third World trade, and so on. All that I intend to do is to share with you some thoughts about the future.

The Group of 77 developed out of a felt need for the Third World to speak with one voice at UNCTAD Conferences and other meetings concerned with world economic matters. It was our separate weakness which impelled us towards multilateral consultations, and which has caused forty more nations to join Group of 77 meetings since Algiers in 1967.
Whatever the economic philosophy of our nations, we had all found that individual efforts to develop our own national economy kept running into a solid wall of power - the power of the rich nations and the rich transnational corporations.

Newly decolonized nations, and the older countries of Latin America, had all inherited the same idea from the dominant Euro-American culture: work hard and you will become prosperous. Gradually we all discovered that hard work and prosperity were not cause and effect; something external to ourselves always seemed to break the reputed connexion! The so-called neutrality of the world market place turned out to be a neutrality between the exploiter and the exploited, between a bird of prey and its victim. If in our effort to find resources for survival - let alone development - we carried out the textbook procedures for raising capital, we always seemed to end up under the virtual control of the transnational corporations or subject to IMF deflationary policies - or both. We did not achieve progress; we simply moved from the frying pan into the deep-freezer! Even if we tried to do nothing except sell our traditional exports and buy our traditional imports, we found that we could buy less and less with more and more of our hard work.

So we came together in order to negotiate with the industrialized States for changes in the laws and practices of world exchange and finance. The present system has been developed by the industrialized States to serve their purposes. This is a matter of historical fact, not a moral
judgement! The result is that the group of industrialized nations - which do act as a group when dealing with outsiders - control the levers of international exchange and finance, and also control the wealth accumulated through centuries of colonialism, gun-boat diplomacy, and an initial advantage in mass production techniques. Once again I am stating facts, not making moral judgements. If morality enters into the matter - as I believe it does - it refers to the future. For we, the Third World, are now demanding that the systems which make the rich richer and the poor poorer must be changed to keep pace with other changes in the world - the ending of colonialism, the advance of technology, and mankind's new consciousness of human equality and human dignity.

We make this demand, as the Third World, in full awareness of certain basic facts, and because of them. Seventy per cent of the world's population - the Third World - commands together no more than 12 per cent of the Gross World Product. Eighty per cent of the world's trade and investment, 93 per cent of its industry, and almost 100 per cent of its research is controlled - in the words of Barbara Ward - by the industrial rich. The income gap is getting wider, even between the industrialized and the so-called "higher-income" Third World countries. The Third World still does most of its trade with the developed nations; its transport links are predominantly with the developed world; the technology it uses is technology developed by and for the developed world - which also controls its use.
In other words, the Third World nations did not shape the world's institutions of production and exchange and have virtually no say in them. But we are dominated by them. It is this domination by forces over which we have no control that each one of us has rejected. And our coming together in the Group of 77 has the purpose of enabling us to deal on terms of greater equality with an existing Centre of Power. Ours is basically a unity of opposition. And it is a unity of nationalisms.

For it was our separate nationalisms which caused us to come together, not the ideals of human brotherhood, or human equality, or love for each other. The immediate reason for each nation joining the Group of 77 depended on the point at which it had experienced the economic frustrations of power external to itself. Whether it wanted to "be developed" or "be industrialized", or "to overcome poverty", or even just to be able to operate as an independent nation, it wanted to do that thing while remaining African, Latin American, or Asian - and within those groups, Tanzanian, Argentinian or Malaysian. It was practical experience of the fact that legal independence did not mean economic freedom which made most of us think in terms of co-operating with others similarly placed.

I stress the fact that it was our nationalism which has forced us together because we have to understand ourselves in order to achieve our purposes. The Group of 77 does not share an ideology. Some of us are avowedly "Scientific" Socialists, some just plain socialist, some capitalist, some theocratic, and some fascist! We are not necessarily
friendly with each other - some countries represented here are currently engaged in a war with each other. Our national income per head varies from about $100 a year to $2,000 a year. Some of us have minerals, some do not; some of us are landlocked and others are isolated in huge oceans. The Group of 77 cannot be defined by any of these or any other economic, social, or ideological categories - membership cuts across them all.

The immediate interests and the negotiating priorities, of different Group of 77 members are therefore very different. Consequently, there is a tendency for sub-groups to develop within the Group of 77. We have OPEC, the Most Seriously Affected, the Least Developed, the Newly Industrialized Countries, the Landlocked and so on; sometimes these classifications are made by us and sometimes by others but accepted by us for working purposes. For this kind of subdivision of the Group of 77 can be useful; it enables us to carry on particular detailed negotiations with the industrialized countries, and it also helps us to ensure that all interests within the Group of 77 are covered in the working out of our general strategy.

But this kind of subdivision is also very dangerous. Subgroups inevitably develop their own internal accommodations and their own sense of unity - which can become a unity against the other subgroups rather than with them against the existing world order. When this happens it becomes difficult to use a negotiating advantage in one area to make a break-through in an area where the advantage is with the other side of the table. "Divide and rule" is an old technique
of domination; the developed nations are not unaware of its usefulness.

But our diversity exists in the context of one common and overriding experience. What we have in common is that we are all, in relation to the developed world, dependent - not interdependent - nations. Each of our economies has developed as a by-product and a subsidiary of development in the industrialized North, and is externally oriented. We are not the prime movers of our own destiny. We are ashamed to admit it; but economically we are dependencies - semi-colonies at best - not sovereign States.

This is true for every one of us represented here. The members of OPEC united and set the price of oil in 1973. This historic action shook the world, greatly improved the bargaining power of the oil exporting countries and encouraged other primary producers. But since then OPEC has learned, and we have all learned once again, that however powerful it is, a single trade union which only covers one section of a total enterprise cannot change the fundamental relationship between employers and employees.

Then there are the Third World giants - India, Indonesia and Brazil. If these three countries, representing about 900 million people, were to separate themselves from other Third World countries and speak as one, they would still not be able to escape from the reality of domination by the group of developed countries - at best they could get marginal and temporary concessions. For the reality is that the unity of even the most powerful of the subgroups within
the Third World is not sufficient to allow its members to become full actors, rather than reactors, in the world economic system. The unity of the entire Third World is necessary for the achievement of fundamental change in the present world economic arrangements.

Yet the pressures towards disunity are strong. The more advantageously placed among the Group of 77 are being flattered and wooed and offered concessions in this or that matter which is of immediate interest to them. And there are forces within every subgroup - from OPEC to the Least Privileged - which are inclined to take offers of special treatment, or special representation, and then - instead of using these as a base for further Third World advance - to lose interest in the wider struggle. Those forces have not yet won within any country, but it would be stupid to pretend that they do not exist. For they will not just disappear. We are all feeling the cold winds of a European recession, and in our desperation there is a strong temptation to look inwards to ourselves as individual nations rather than inwards to our group as a whole.

I have been saying out loud some of the things which are being said privately. I have done so because a danger can be dealt with only when it is acknowledged. And disunity would be a terrible setback to the prospects of all of us, and would mean discarding a great potential source of power. For the diversity within the Third World could be our strength rather than our weakness if we can hold to our political decision for unity in negotiation and in action.
Sometimes we politicians talk as if change in the present world economic order has to come either through dialogue or through confrontation with the rich nations. I have done this myself when talking in developed countries. For it is a kind of shorthand - a quick way of pointing out that what is true within countries is also true between countries. If there is not planned change in the old order then confrontation is inevitable, nationally and internationally. But we have gone on from there, and talked as if the Third World had to make a strategic choice between negotiating and declaring all-out economic war on the rich States. On that basis we have become very apologetic - to our own people and to others. When participating in dialogue we become apologetic, as if to negotiate is somehow to surrender or to soften about the objective. And if dialogue gets us nowhere we become apologetic about confrontation, as if we were being unreasonable - even irrational - and provoking an all-out economic war which we cannot win.

I do not believe that is the kind of choice we face. We do not have to choose between dialogue and confrontation with the rich: there is no reason why we should be apologetic about negotiating, or about refusing to go on with a particular discussion and resorting to direct action. Ours is a kind of trade union of the poor. Sometimes - perhaps most of the time - we will negotiate about different aspects of the demand for a New International Economic Order and settle for the best compromise we can reach at that time. Sometimes, however, we may be forced to call a strike in order to show that certain things are no longer acceptable!
But a trade union is strong in proportion to its unity. And when deciding upon the acceptability or otherwise of any potential compromise we have to recognize political realities - in our case all 117 of them. For the Third World does not have a strike fund, and hunger strikes are not the weapon of the starving. Asking countries like Zambia and Chile to stop exporting copper to the industrialized nations, for example, is asking them to commit suicide. Their Governments will naturally not agree to do that, and asking them to do so would therefore be equivalent to breaking the unity of the Third World. This weakness of ours can be exaggerated. But our conditions are well known to the developed nations; threatening talk of confrontation as an alternative to dialogue does not frighten them.

But it is also true that the kind of dialogue we have been conducting - at UNCTAD, Paris, Geneva, New York and everywhere else - has brought no fundamental changes in the world economic order. This is not to say that it has been useless. There are now groups of people, and even small nations, in the industrialized world which have realized that the present inequities cannot be allowed to continue, and that planned change is necessary in their own interests as well as ours. That is a helpful movement. But the problem remains: we have not succeeded in changing the structure of power. The world order still works against the interests of the poor.

I believe this unsatisfactory result from our efforts is because we have been making the mistake of acting as if negotiation is exclusively a matter of reason and morality,
which has nothing to do with the strength of the participants. The truth is that we need power to negotiate, just as we need power to go on strike. So far we have been negotiating as noisy and importunate supplicants. We need to negotiate from a position of steadily increasing power.

The basic question we should be asking ourselves now, after years of hard talking and little progress, is this. What can we do, among ourselves, to strengthen our position in future negotiations?

My first answer is just what I have been saying until now. We must maintain and strengthen our unity. We must ensure that we continue to speak with one voice the overall Third World bargaining position. This will not get easier as time goes on.

In all our countries there are groups which identify themselves with the powerful and privileged of the world and who aim only to join them - regardless of the poor in their own nation and elsewhere. In all our countries there are those who have no patience with international negotiations or agreements. In Governments, and as Oppositions, the Third World has reactionaries and radicals of different gradations. If we are to maintain Third World unity we all have to work together when operating within non-Third World organizations for Third World objectives.

I do not believe this means that we must never protest about brutality, tyranny, and racism within the Third World; that would be intolerable - and it would not serve the interests of our peoples. It does mean, however, that we
may have to co-operate functionally with governments which we intensely dislike and disapprove of. For the object is to complete the liberation of the Third World countries from external domination. That is the basic meaning of the New International Economic Order. And unity is our instrument - our only instrument - of liberation.

But we have to do more than stand united when negotiating as the Group of 77. We have to work together; our nations have to co-operate economically. This is where the diversity of the Third World can be our strength also.

We have to build up trade among ourselves, and we have to do this quite deliberately. For it will not happen through the workings of laissez faire. We each have to search out the possibilities of purchase from other Third World nations, or sale to other Third World nations.

We have to co-operate in establishing Third World Multinational Corporations, owned by us and controlled by us, to serve our purposes and to remain independent of the great transnational corporations which now dominate the world economic scene. We need Third World Shipping Lines to carry our goods, to open new links between us - and to break the stragling monopoly of the conference lines. We need Third World international insurance; it is absurd that our reinsurance premiums should provide capital for the industrialized world. We need to have institutions of research and development directed at serving our needs and developing our resources. We need to plan jointly-owned industries when our separate markets are too small for the economic viability
of certain production processes. And it may be that we should be considering the idea of having our own Third World financial clearing institutions instead of paying each other through London, New York, or Paris.

All these things are possible on three conditions. That there is, on balance, equal benefit for all the participating Third World countries in each package of co-operation. That we treat obligations - financial or commercial - to each other as seriously as we treat those to the rich and powerful nations, or even more seriously. And that we should all give preference to Third World institutions when these compete with those of the industrialized world.

Building up Third World self-reliance, nationally and collectively, is not a miraculous answer to our problems. It will take time - a long time. And it will be very difficult. Certainly Tanzania is not the one to underestimate the difficulties of this prescription: East Africa is an example of a tragic failure in Third World co-operation. There have been other failures, and there may be more in the future. Yet every successful effort at co-operation strengthens the whole Third World in its dealings with the developed world. We must all keep trying. And we must all encourage and give what help we can to every attempt which is made, whether it is functional or general, neighbourly, regional, or intercontinental. All that we should ask before giving our backing, is that it is a truly Third World co-operative effort, and that it is designed to strengthen the independence and the economy of Third World countries.
This question is on your Agenda. Economic Co-operation among Developing Countries is Item 18! Yet this position on the Agenda need not matter too much; co-operation among ourselves can be a feature of the discussion on almost any subject if the approach is always "what can we do among ourselves, for ourselves?". And there are corridors in this building!

The final point I wish to mention is not on your Agenda at all. But I am sometimes appalled by the handicap under which Third World negotiators enter into important meetings - either among ourselves or with others. We in Tanzania take these questions fairly seriously, yet our delegations have very little help. They get, from Tanzanian economists who have very heavy domestic responsibilities, a short paper commenting on the major issues; they read articles in international journals; and they have the papers which UNCTAD staffs present to us all. I believe a similar situation exists for most, if not all, Third World delegates to United Nations or North/South meetings. And with this kind of support they go to meet highly experienced people, armed with all the preparatory material done by sophisticated domestic and OECD staffs and their computers!

Many dedicated Third World experts work for UNCTAD, and other staff members see the need for changes in the international system of exchange and finance. But UNCTAD is, by definition, a world organization. One job of its staff is to help meetings to reach agreement. It is the job of the Third World to develop and state its own position.
The same lack of technical preparation may be hindering our efforts to expand economic co-operation among ourselves. It is at present no one's job to search out potential areas of co-operation and present them to our overworked Ministers, and then follow up an interest. Once again, UNCTAD and other United Nations servants are helpful; we owe a lot to them. But some members of the United Nations appear to have their own feelings about United Nations secretariats serving the interests of one side - even the weaker side - in a world negotiation!

There is considerable suspicion about international bureaucracies and new institutions - I am not immune myself! They tend to be very expensive, especially if the staffs are paid at what are called "international standards" - which usually means the highest wages anywhere! But it may be that the Group of 77 should be looking again at this question of whether it needs its own full-time economists and other professional people as a technical aid to the policy-makers and negotiators. I would only add that, if we decide this to be the case, then we must pay for that technical office ourselves. He who pays the piper calls the tune!

As I understand it, our purpose in the Group of 77 is to try to secure changes in the world's economic arrangements because we see these as unfair, detrimental to our interests, and indeed contrary to the interests of world stability and progress. Our goal is economic liberation, and on that goal there can be no compromise. But during the process of liberation it may sometimes be necessary to compromise; we have no desire to contract out of the world in which we live.
I have been arguing that to achieve our purposes we need to maintain and even strengthen our unity in the Group of 77, and to expand functional co-operation among ourselves. Nothing I have said is new. It can only be a reminder of well-known truths as you embark upon your labours.

For these are no miraculous answers to our problems. Changing the world order is a process. It can be speeded; it can be directed; and it can be made less turbulent. But it will remain a process. The next UNCTAD Conference - for which you are preparing yourselves - is an event along the way. Your preparations for it should also be preparations for later stages in the process we are trying to influence.
APPENDIX 2

DEVELOPMENT-FINANCING INSTITUTIONS
REGIONAL DEVELOPMENT BANKS AND SUBREGIONAL FINANCIAL INSTITUTIONS

Institution and year of establishment

African Development Bank, 1964 (first loan made in 1967)

Membership as of December 1976:
Algeria, Benin, Botswana, Burundi, Cape Verde, Central African Empire, Chad, Comoros, Congo, Egypt, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Lesotho, Liberia, Libyan Arab Jamahiriya, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Togo, Tunisia, Uganada, United Republic of Tanzania, Upper Volta, Zaire, Zambia

Membership of the Fund (soft loan facility of the Bank) also includes several non-regional developing country members—Argentina, Brazil and Saudi Arabia—as well as Belgium, Canada, Denmark, Finland, Germany, Federal Republic of, Italy, Japan, Netherlands, Norway, Sapin, Sweden, Switzerland, United Kingdom, United States of America, Yugoslavia

Main objectives and level of operations

Africa

The aim is to help the development and integration of African countries, principally by financing projects of common interest, such as multinational ventures or projects to enhance the complementarity of the different economies. Other instruments include the promotion of foreign investment in the region, the mobilization of resources, the studying and preparatio of projects, and the provision of technical assistance in the study, preparation and execution of projects. The Bank also administers some funds to help African petroleum-importing countries, and has set up the International Financial Corporation for Investment and Development in Africa (based in Geneva) which attracts private investment into Africa ($12.7 million as of 1976). Total loans and grants by the Bank up to the end of 1975 amounted to $405 million in commitments and $108 million in disbursements.
Institution and year of establishment

East African Development Bank, 1967

Membership as of December 1976:
Kenya, Uganda, United Republic of Tanzania (as well as African Development Bank and several commercial institutions operating in the community)

Main objectives and level of operations

The aims of the Bank are to promote balanced industrial development in the Community in such a way that the less advanced industrial partners are given greater stimulus and that the industries of the three partner countries can become more complementary. The Bank's resources are derived from its subscribed capital as well as loans and credits from both international and national (official or commercial) organizations. By the end of 1973 loan approvals totalled 245 million Units of Account, and disbursements about 130 million Units of Account (one Unit being equivalent to one Uganda shilling, or 0.14 United States dollars at the beginning of 1973).

The Mutual Aid and Loan Guaranty Fund of the Council of the Entente States, 1973 (Successor to earlier Fund set up in 1966 and to Solidarity Fund in 1959)

Membership as of December 1976:
Benin, Ivory Coast, Niger, Togo, Upper Volta

The aims of the Fund are, first, to guarantee loans of member States, public or semi-public bodies and certain private enterprises; secondly, to finance viable projects in agriculture, commerce and industry and infrastructure; and, thirdly, to promote development by other means, including the coordination of efforts in tackling problems whose solution requires common action by the countries of the area. The Fund's resources are derived mainly from annual member contributions (totalling 5.3 billion CFA francs at the end of 1974, and planned to increase up to 8.5 billion over the next five years), as well as grants, proceeds of investments and fees for its services.

West African Development Bank, 1974

Signatories were members of the Central Bank and Monetary Union of West African States (Benin, Ivory Coast, Niger, Senegal, Togo, Upper Volta); the agreement is open to other West African States

The aim is balanced development and integration of West Africa, particularly its member States. The Bank is intended to promote and finance development projects, encourage the transfer of enterprises into local ownership, help to attract outside capital and encourage the pooling of internally available resources. The initial capital was set at 214 billion CFA francs, divided equally into contributions from the respective Governments, on the one hand, and the Central Bank of West African States, on the other.
Institution and year of establishment

Fund for Co-operation, Compensation and Development of the Economic Community of West African States, 1975

Membership as of December 1976:
Benin, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo, Upper Volta

Development Bank of the Central African States, to be established

Draft convention was approved in 1975 by representatives of member countries of the Bank of Central African States (Central African Empire, Chad, Congo, Gabon, United Republic of Cameroon)

Asian Development Bank, 1966

Membership as of December 1976:
Afghanistan, Australia, Bangladesh, Burma, Cook Islands, Democratic Kampuchea, Fiji, Gilbert Islands, Hong Kong, India, Indonesia, Japan, Lao People's Democratic Republic, Malaysia, Nepal, New Zealand, Pakistan, Papua New Guinea, Philippines, Republic of Korea, Singapore, Viet Nam, Solomon Islands, Sri Lanka, Thailand, Tonga, Samoa and (non-regional members) Austria, Belgium, Canada, Denmark, Finland, France, Germany, Federal Republic of, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States of America

Main objectives and level of operations

The purpose of the Fund is to finance projects within the Community, guarantee foreign investments in designated industrial enterprises, help with the implementation of projects in less developed Community States, and offer compensation to countries for losses sustained as a result of trade liberalization or the location of ECOWAS enterprises. The resources of the Fund are to be derived from member contributions and the income deriving from ECOWAS enterprises.

The Bank would finance development projects in the subregion. According to the draft convention establishing the Bank, the initial capital would be 16 billion CFA francs.

Asia

The purpose of the Bank is to foster economic growth and co-operation in the region, with special regard to be given to the needs of the smaller or less developed member countries in the region. The Bank can lend to any member and private or public enterprise operating in a member's country, and to any regional or other international agency concerned with the region's development. It may make equity investments and guarantee loans in which it participates. It also provides technical assistance. Total loans approved up to 30 September 1976: $3,009 million (in 1975: $660 million).
Association of South-East Asian Nations, Fund of the, 1969

Membership as of June 1977: Indonesia, Malaysia, Philippines, Singapore, Thailand

Inter-American Development Bank, 1959

Membership as of March 1977:
Argentina, Austria, Barbados, Belgium, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, El Salvador, France, Germany, Federal Republic of, Guatemala, Guyana, Haiti, Honduras, Israel, Jamaica, Japan, Mexico, Netherlands, Nicaragua, Panama, Paraguay, Peru, Spain, Switzerland, Trinidad and Tobago, United Kingdom, United States of America, Uruguay, Venezuela, Yugoslavia

Central American Bank for Economic Integration, 1960

Membership as of December 1976: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua

Main objectives and level of operations

The purpose of the Fund is to finance joint projects in member countries. The Fund is formed by five nationally held funds initially endowed with $1 million each.

Latin America and the Caribbean

The aim is to speed up the economic development of member developing countries, individually and collectively, through loans for financing development projects and provision of technical assistance and advice in project identification and evaluation. Credits granted up to December 1976 to support economic integration (export financing and regional projects and studies) amounted to $1.4 billion. Total disbursements and total commitments amounted to $5,783 million and $10,222 million, respectively, in the period 1961-1976. Loans approved in 1976 reached $1,528 million.

The aim is to promote economic integration through development loans, equity investments and provision of technical assistance. Loan activities cover agriculture, industry, infrastructure and export financing. With the exception of housing, the Bank is precluded from financing projects which are essentially local or national in scope. Total loans granted up to June 1976: $759 million. Loan operations in 1975/76 amounted to $138 million.
Institution and year of establishment

Andean Development Corporation, 1968
Membership as of June 1977: Bolivia, Colombia, Ecuador, Peru, Venezuela

Caribbean Development Bank, 1970
Membership as of December 1976:
Antigua, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Montserrat, Turks and Caicos Islands, Dominica, Grenada, Guyana, Jamaica, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, Trinidad and Tobago, and four contributing members not eligible to borrow—Canada, Colombia, United Kingdom, Venezuela

Caribbean Investment Corporation, 1973
Membership as of December 1976:
Antigua, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, Trinidad and Tobago

Trust Fund for the Development of the River Plate Basin, 1974
Membership as of December 1976:
Argentina, Bolivia, Brazil, Paraguay, Uruguay

Main objectives and level of operations

The aim is to promote economic integration among member countries through investments in projects of common interest, assistance in pre-investment studies and credits to finance exports to other members. Particular emphasis on development of joint manufacturing ventures among member countries and on projects in the less industrialized among them. Total operations approved up to December 1976: $236 million. Total operations approved in 1976 amounted to $71 million.

The aims are to promote harmonious development of the member countries in the Caribbean and to foster economic co-operation and integration among them. Special regard to the needs of less developed members. The Bank finances projects and programmes of regional members, stimulates the development of capital markets within the region and promotes identification and preparation of projects. Loans authorized up to December 1976: $115 million.

The aim is to foster industrial development of less developed countries in CARICOM through equity investments, guarantee of suppliers' credits, support of pre-feasibility studies and provision of technical assistance. Authorized capital as of December 1975: $7.5 million (60 per cent Governments' holding of the equity: the private sector, 40 per cent). Total operations approved up to 1975 amounted to nearly $1 million.

The aims are to promote harmonious development and physical integration of the River Plate Basin by providing financial support to relevant studies, projects and programmes. The Fund can negotiate loans, guarantees and endorsements. Authorized capital as of December 1976: $100 million.
Institution and year of establishment

Arab Fund for Economic and Social Development, 1968
Membership as of December 1974: Algeria, Bahrain, Democratic Yemen, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen

Inter-Arab Investment Guarantee Corporation, 1970
Membership as of January 1975: Algeria, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Morocco, Mauritania, Qatar, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen

Islamic Development Bank, 1974
Membership as of June 1975: Afghanistan, Algeria, Bahrain, Bangladesh, Chad, Egypt, Cuinea, Indonesia, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Malaysia, Mali, Mauritania, Morocco, Niger,

Main objectives and level of operations

Interregional Development Banks and Funds

Multinational institutions

The Fund provides finance for development projects in Arab countries by means of loans granted on easy terms to Governments and public or private institutions for projects vital to the region or for joint projects among Arab countries; encourages the investment of public and private capital; promotes the development of the regional Arab economy; and provides technical assistance. Agreement establishing the Fund fixed its subscribed capital at $342 million, which was raised to $1.4 billion in 1975. The Fund commitments were $194 million in 1975 and $128 million in the first half of 1976. The grant element of commitments is in the range of 37 to 42 per cent for least developed recipients and 22 to 26 per cent for other borrowers.

The Corporation provides insurance coverage for Arab investors through compensation for losses resulting from certain events with the goal of encouraging the flow of private capital between Arab countries. The agreement establishing the Corporation specified that it must provide total or partial coverage for losses stemming from non-commercial risks (the results, for example, of nationalization, seizure, expropriation, the introduction of new regulations limiting capital repatriation or profit transfers, military action, revolutions or coups d'état). The initial agreement established a capitalization of $34.2 million. The paid-in capital as of 31 July 1975 stood at $5.13 million.

The Bank mobilizes resources to finance the economic and social development of its member countries and Muslim communities. To this end it will participate in the equity capital of enterprises set up in member States, invest in economic and social infrastructure projects, make loans to the public and private sectors, establish and operate special
Institution and year of establishment

Oman, Pakistan, Qatar, Saudi Arabia, Senegal, Somalia, Sudan, Syrian Arab Republic, Tunisia, Turkey, United Arab Emirates, United Republic of Cameroon, Yemen

Arab Petroleum Investment Company, 1974

Membership as of July 1974: Algeria, Bahrain, Egypt, Iraq, Kuwait, Libyan Arab Jamahiriya, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates

Special Arab Fund for Africa, 1974

Membership as of October 1974: Algeria, Iraq, Kuwait, Libyan Arab Jamahiriya, Oman, Qatar, Saudi Arabia, United Arab Emirates

Arab Bank for Investment and Foreign Trade, 1974

Signatories in April 1974: Algeria, Libyan Arab Jamahiriya, United Arab Emirates

Main objectives and level of operations

funds for specific purposes, assist in the promotion of trade and provide technical assistance. The agreement establishing the Bank fixed its authorized capital at $2,309 million. The subscribed capital in February 1976 amounted to $874 million and the paid-in capital to $173 million.

The Company assists with the financing and capitalization of petroleum industries and ancillary industrial projects and services, the first priority being given to projects jointly undertaken by member countries. Its activities include the study and preparation of projects for investment; direct investment in the petroleum sector; the acquisition of portfolio investments; the provision of medium- and long-term loans to finance investments in petroleum industries; underwriting and the guaranteeing of securities of companies operating in member States and guaranteeing the repayment of loans provided by other financial institutions. The agreement establishing the Company fixed its authorized capital at $1,026 million. As of June 1975, its subscribed capital stood at $342 million, its paid-in capital at $171 million.

The Fund provides soft loans to African countries; Arab countries are, however, excluded from being possible recipients on the ground that other resources are available to them. The Arab Bank for Economic Development in Africa is charged with its administration. As of December 1975, contributions to the Fund amounted to $185 million; disbursements totalled roughly $150 million to 28 countries (selected according to such criteria as the proportion of imported petroleum to total imports, per capita income, the existence of drought or famine conditions, the existence of trade and payments deficits, or the availability of raw materials and energy sources).

The Algerian Foreign Bank, the Libyan Arab Bank and the United Arab Emirates signed the agreement by which the Bank is to undertake all operations normally performed by commercial banks in addition to making short-, medium-, and long-term investments and
Institution and year of establishment

Arab Bank for Economic Development in Africa, 1974

Membership as of May 1976: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Mauritania, Morocco, Oman, Palestine Liberation Organization, Qatar, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates

Main objectives and level of operations

financing foreign trade. The main goal, however, is the mobilization of resources for investment purposes in the Arab countries and Africa. The agreement establishing the Bank set its authorized capital at the equivalent of approximately $15 million, which is fully subscribed. As of early 1977, the paid-in capital stood at $7.5 million.

While the Bank was set up to give financial assistance to African countries not belonging to the Arab League, only Arab countries can be members. The Bank's goals are to collaborate in the economic development of African countries, to encourage the use of Arab capital from outside sources for their development and to provide necessary technical assistance. To this end, it will provide loans to national and regional development finance institutions, finance the foreign exchange component of important agricultural and industrial projects, provide technical and financial aid in identifying economic development projects and acquiring technological know-how. The authorized capital of $231 million was fully subscribed as of May 1976. Twelve loans totalling $86 million were approved in November 1975 and nine more, totalling $58 million, in the first half of 1976. The grant element of these loans ranged from 28 to 57 per cent.

The Company promotes investment of Arab capital in the economic development of the member States by carrying out projects in the areas of agriculture, industry, commerce and services. The authorized capital: $225 million. As of May 1976, the paid-in capital stood at $240 million. By 31 July 1975, authorized investments amounted to $32 million.

The Fund co-ordinates and finances technical-assistance programmes arranged by the League of Arab States and Arab specialized agencies; prepares surveys of development projects in Arab and African countries; provides consultancy services and experts and
Institution and year of establishment

Organization, Qatar, Saudi Arabia, Sudan, Tunisia, United Arab Emirates, Yemen

Organization of Arab Petroleum Exporting Countries, Special Account, 1974

Membership as of June 1974: Algeria, Bahrain, Egypt, Iraq, Kuwait, Libyan Arab Jamahiriya, United Arab Emirates

OPEC Special Fund, 1976

Membership as of January 1976: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela

Arab Authority for Agricultural Investment and Development, 1976

Membership as of April 1976: Algeria, Egypt, Iraq, Kuwait, Libyan Arab Jamahiriya, Mauritania, Morocco, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, United Arab Emirates

Main objectives and level of operations

organizes their exchange between Arab and African countries; and co-ordinates scientific and technological development between these countries. The Sixth Arab Summit fixed the Fund's capital at $15 million in 1974. This was raised to $25 million by the Seventh Summit. The Fund began operation in May 1975.

The OAPEC Special Account provides emergency assistance to the poorest Arab countries in the form of untied interest-free loans with 20 years maturity and a 10-year grace period. The amount pledged in the first instance was nearly $80 million which it was agreed to distribute as follows: Democratic Yemen, 14.1 per cent; Mauritania, 5.9 per cent; Morocco, 10.2 per cent; Somalia, 9.1 per cent; Sudan, 46.9 per cent; and Yemen, 13.8 per cent. The Council of Ministers of OAPEC agreed to renew the Special Account for 1975, and in May of that year OAPEC members, with the exception of Iraq, replenished the Special Account.

The Fund expends long-term interest-free loans for balance-of-payments support and for the financing of development projects and programmes in developing countries, without geographical or political restrictions. Its initial capitalization was $800 million. The initial agreement stipulated a one-year life span for the Fund. The aim is to operate with a minimum of new administrative machinery but with maximum collaboration with existing aid-giving bodies in member States.

The Authority provides investment and development in an integrated programme specifically formulated to achieve predetermined production targets within an over-all framework of national development objectives. The initial capitalization, especially set with the requirements of the Authority's first undertaking—the First Investment Plan of the Basic Programme for Agricultural Development in the Democratic Republic of the Sudan—in mind, was approximately $517 million, of which nearly $400 million had been subscribed by October 1976.
<table>
<thead>
<tr>
<th>Institution and year of establishment</th>
<th>Main objectives and level of operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf Authority for the Development of Egypt, 1976</td>
<td>Established with a capitalization of $2,000 million, the Gulf Authority is unique among the Arab funds in that it was formed with the primary intention of assisting one particular State through its present economic and financial difficulties. Egypt's original goal was the creation of a larger assistance fund to support its 1976-1980 Five-Year Plan, with the proviso that part of the allocated funds could also be utilized for budgetary and balance-of-payments support. The four donors reformulated objectives and it was therefore agreed that the Authority would, first, provide project finance and, secondly, engage in activities designed to offset Egypt's balance-of-payments deficit.</td>
</tr>
<tr>
<td>Membership as of October 1976: Egypt, Kuwait, Qatar, Saudi Arabia, United Arab Emirates</td>
<td>Bilateral institutions</td>
</tr>
<tr>
<td>Kuwait Fund for Arab Economic Development, 1961</td>
<td>The Fund was set up as the main arm of the Government of Kuwait for the provision of loans and technical assistance to Arab countries for the implementation of their development programmes. The initial capitalization was $141 million, which was raised to $3,400 million in 1974, when its mandate was extended from solely Arab States to all developing countries. The Fund has no preference regarding national, bilateral or multinational projects and no sectoral limits are imposed, although it has shown a preference for infrastructures, basic industries and the exploitation of natural resources, in that order.</td>
</tr>
<tr>
<td>Abu Dhabi Fund for Arab Economic Development, 1971</td>
<td>Established as an arm of the Government of Abu Dhabi to help Arab countries in their economic development through the provision of loans or participation in projects. The initial capitalization was $105 million, which was increased to $500 million in 1974. The Fund does not distinguish between developing countries in the granting of loans, does not provide programme loans, has no preference between national and multinational projects and has no a priori preference as regards sector. Its total loan commitments at the end of June 1975 stood at $215 million, equity participation at $6 million and technical assistance grants at $16 million.</td>
</tr>
</tbody>
</table>


Institution and year of establishment

Libyan Arab Foreign Bank, 1972

Main objectives and level of operations

The Bank, Government-owned, was set up with a capitalization of $61 million to undertake normal banking operations and development financing activities outside the Libyan Arab Jamahiriya. It has provided non-concessional development loans to Algeria, Egypt, Tunisia, Uganda and Zaire and has been active in participating in joint ventures in other developing countries (for instance, setting up joint banks in Abu Dhabi, Chad, Lebanon, Mauritania, Spain, Tunisia and Uganda).

Iraqi Fund for Foreign Development, 1974

The Fund was established to promote the economic integration and development of Arab countries as well as the economic and social development of other developing nations. It provides medium- and long-term concessional loans, participates in development projects, encourages the investment of public and private capital, offers technical assistance and finances pre-feasibility and feasibility studies. The Fund's capitalization is $169 million.

Saudi Fund for Development, 1974

Established with a capital of $2,840 million, the Fund began operation in April 1975, its main purpose being to act as a governmental agency entrusted with the provision of project lending to developing countries, mainly in the fields of infrastructure and agriculture. Between April and July 1975, the Fund committed roughly $470 million to projects in Egypt, Indonesia, Malaysia, Mali, Sudan, Tunisia and Uganda.

Venezuelan Investment Fund, 1974

Established by the Government of Venezuela as an instrument to make efficient use of increased revenues from petroleum. Of a capital amounting to $6,300 million, the Fund is authorized to channel 15 per cent of its resources to financial co-operation. Under this arrangement, two main schemes were instituted in 1975: the Venezuelan Trust Fund with $500 million to be administered by the Inter-American Development Bank; and the special credit line to finance projects and development programmes in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama with scheduled annual disbursements of nearly $80 million for the period 1975-1980.

Source: See annex II.
ANNEX II

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PUBLICATIONS OF OTHER ORGANIZATIONS OF THE UNITED NATIONS SYSTEM


OTHER PUBLICATIONS


<table>
<thead>
<tr>
<th>Commodity Groups</th>
<th>Developed World %</th>
<th>Developed Countries %</th>
<th>Inter-regional %</th>
<th>Regional %</th>
<th>Developed World Index of value 1970 = 100</th>
<th>Developed Countries</th>
<th>Inter-regional</th>
<th>Regional</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Commodities (0-9)</td>
<td>254.6</td>
<td>181.5</td>
<td>100</td>
<td>58.2</td>
<td>100</td>
<td>29.9</td>
<td>100</td>
<td>28.3</td>
</tr>
<tr>
<td>Fuel (3)</td>
<td>150.2</td>
<td>112.3</td>
<td>62</td>
<td>31.8</td>
<td>55</td>
<td>21.5</td>
<td>72</td>
<td>10.2</td>
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<tr>
<td>Trade Ex-Fuel</td>
<td>104.4</td>
<td>69.2</td>
<td>38</td>
<td>26.4</td>
<td>45</td>
<td>8.4</td>
<td>28</td>
<td>18.1</td>
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<tr>
<td>Commodities (0+1+2+4)</td>
<td>56.4</td>
<td>37.8</td>
<td>21</td>
<td>11.5</td>
<td>20</td>
<td>3.6</td>
<td>12</td>
<td>7.9</td>
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<tr>
<td>Manufactures (5-9)</td>
<td>48.0</td>
<td>30.9</td>
<td>17</td>
<td>14.9</td>
<td>25</td>
<td>4.8</td>
<td>16</td>
<td>10.1</td>
</tr>
</tbody>
</table>


Note: SITC categories shown in brackets.
### TABLE 5

Monetary Arrangements Among Developing Countries as of July 1978

<table>
<thead>
<tr>
<th>Type of Arrangement</th>
<th>Official Name Of Entity</th>
<th>Participating Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Clearing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Asian Clearing Union</td>
<td>(7) Bangladesh, Burma, India, Iran, Nepal, Pakistan and Sri Lanka.</td>
<td></td>
</tr>
<tr>
<td>2. CARICOM Multilateral Clearing Facility</td>
<td>-(6) Barbados, Belize, East Caribbean Currency Authority, Guyana, Jamaica and Trinidad and Tobago.</td>
<td></td>
</tr>
<tr>
<td>4. Great Lakes Economic Community's monetary arrangement</td>
<td>(3) Burundi, Rwanda and Zaire.</td>
<td></td>
</tr>
<tr>
<td>5. Latin American Free Trade Association's payments system</td>
<td>(12) Argentina, Bolivia, Brazil, Colombia, Chile, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela.</td>
<td></td>
</tr>
<tr>
<td>7. Regional Co-operation for Development Union for Multilateral Payments Arrangements</td>
<td>(3) Iran, Pakistan and Turkey.</td>
<td></td>
</tr>
<tr>
<td>II. Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Arab Monetary Fund</td>
<td>(20) Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Mauritania, Morocco, Oman, People's Democratic Republic of Yemen, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates and Yemen Arab Republic.</td>
<td></td>
</tr>
<tr>
<td>2. Andean Reserve Fund</td>
<td>(5) Bolivia, Colombia, Ecuador, Peru and Venezuela.</td>
<td></td>
</tr>
<tr>
<td>Type of Arrangement</td>
<td>Official Name of Entity</td>
<td>Participating Countries</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>III. Monetary Union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. ASEAN Swap Arrangement</td>
<td></td>
<td>(5) Indonesia, Malaysia, Philippines, Singapore and Thailand.</td>
</tr>
<tr>
<td>5. Latin American Free Trade Association's Financial Assistance Agreement</td>
<td></td>
<td>(12) Argentina, Bolivia, Brazil, Colombia, Chile, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.</td>
</tr>
<tr>
<td>2. West African Monetary Union</td>
<td></td>
<td>(6) Benin, Ivory Coast, Niger, Senegal, Togo and Upper Volta.</td>
</tr>
</tbody>
</table>
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